

***United States Court of Appeals
for the Second Circuit***



APPENDIX

74-1810

United States Court of Appeals

For the Second Circuit.

ESTATE OF LORRAINE A. McGAULEY, Deceased,
FREDERICK F. McGAULEY, Temporary Executor,
Petitioner-Appellant,

versus

COMMISSIONER OF INTERNAL REVENUE,
Respondent-Appellee.

ON APPEAL FROM THE UNITED STATES TAX COURT.

APPENDIX.

NOLAN & HELLER, P. C.,
Attorneys for Petitioner-Appellant,
60 State Street,
Albany, N. Y. 12207

SCOTT P. CRAMPTON,
Assistant Attorney General, Tax
Division, Attorney for
Respondent-Appellee,
United States Department
of Justice,
Washington, D. C. 20530



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UNITED STATES TAX COURT GENERAL DOCKET.

UNITED STATES TAX COURT
GENERAL DOCKET

DOCKET NO. 5705-71

(CAP. AND. 5/1/72)

ESTATE OF LORRAINE A. MCGAULEY, deceased, by
FREDERICK P. MCGAULEY, sole-distributes-
TEMPORARY EXECUTOR
790 Fehr Avenue

Schenectady, New York 12309

PETITIONER.

VE.

COMMISSIONER OF INTERNAL REVENUE.

RESPONDENT.

APPEARANCES FOR PETITIONER:

THOMAS A. SULLY, 60 East 42 Street, New York,
New York 10017 (Oct. 28, 1971)Michael J. Kenny, 60 East 42nd St. N.Y., N.Y. 10017
(1/14/72)

Month Day Year	Filing and Proceedings	Action	Served
Aug. 11, 1971	PETITION FILED: FEE PAID Aug. 11, 1971		Aug. 13, 1971
Aug. 11, 1971	REQUEST by Petr. for trial at New York, N.Y. filed	GRANTED Aug. 13, 1971	Aug. 13, 1971
Oct. 4, 1971	MOTION by Resp. to extend time to Nov. 12, 1971 within which to file answer.	GRANTED Oct. 7, 1971	Oct. 7, 1971
Nov. 11, 1971	MOTION by Resp. to dismiss for lack of jurisdiction. (Petition not filed by Proper party)	See Order Dtd May 1, 1972	
Nov. 23, 1971	NOTICE of Hearing on resp. motion to dismiss on Jan. 12, 1972 at Washington, D. C.		Nov. 23, 1971
Jan. 4, 1972	ENTRY OF APPEARANCE by Michael J. Kenny for Petr.		Jan. 6, 1972
Jan. 12, 1972	HEARING at Wash. D.C. before Judge Drennen Respondent's motion to dismiss for lack of jurisdiction		
Jan. 12, 1972	ORDERED that hrg. on resp's motion to dismiss is continued to Jan. 19, 1972 Wash. D.C.		Jan. 18, 1972
Jan. 19, 1972	HEARING at Wash. D.C. before Judge Simpson Respondent's motion to dismiss for lack of jurisdiction - continued.		
Jan. 19, 1972	ORDERED that hearing on respondent's motion to dismiss filed Nov. 11, 1971 is continued to Feb. 16, 1972 Washington, D.C.		Jan. 27, 1972
	continued to page 2		1

Form No. 34
May 1970

UNITED STATES TAX COURT GENERAL DOCKET

5705-71

DOCKET NO. _____

(Continued)

EST. OF MORRIS A. MCGAULEY DEC'D BY FREDERICK F. MCGAULEY, SR. ETC. PETITIONER			PAGE 2
Day Month Day Year	Filings and Proceedings	Action	Served
Feb. 16, 1972	HEARING at Wash. D.C. before Judge Rame		
	Respondent's motion to continue		
Feb. 16, 1972	ORDERED that hrg. on respondent's motion filed		Feb. 18, 1972
	Nov. 11, 1971 is continued to May 17, 1972 Wash. D.C.		
Feb. 18, 1972	TRANSCRIPT of Feb. 16, 1972 rec'd		May 2, 1972
April 26, 1972	ANSWER IN OPPOSITION BY Petr. to resp. motion to dis-		
	miss with copy of preliminary letters testamentary		
	attached.		
May 1, 1972	ORDER, that resp. motion filed Nov. 11, 1971 is denied		May 2, 1972
	and case is stricken from the motions session on		
	May 17, 1972 at Washington, D. C.; and further		
	ORDER, that caption is amended.		
Jan 29, 1972	ANSWER TO PETITION AS AMENDED		Jun 30, 1972
Jan. 10, 1973	NOTICE for Trial at New York, N.Y. on March 19, 1973		Jan. 10, 1973
Mar. 21, 1973	TRIAL at New York, N.Y. before Judge Simpson.		
	with Exh.		
	STIPULATION OF FACTS/filed		
	PETR. BRIEF DUE - May 21, 1973		
	RESP. BRIEF DUE - July 5, 1973		
	PETR. REPLY BRIEF DUE - Aug. 6, 1973		
	SUBMITTED TO JUDGE SIMPSON.		
April 5, 1973	TRANSCRIPT of Mar. 21, 1973 rec'd.		
June 4, 1973	BRIEF for Petr. filed. (Permission to File)		June 4, 1973
July 19, 1973	BRIEF for Resp. filed.		JUL 20 1973
Aug. 14, 1973	REPLY BRIEF FOR Petr. filed.		AUG 15 1973
Dec. 12, 1973	OPINION filed. Judge Simpson. Decision will be		DEC 12 1973
	entered under Rule 50.		
Mar. 12, 1974	AGREED COMPUTATION for entry of decision filed.		
Mar. 14, 1974	DECISION entered, Judge Simpson.		MAR 14 1974

(Continued to page 3)

GPO 500-100

DOCKET NO. 5705-71

[illegible]

TAX COURT
MAIL ROOM

4a

TAX COURT OF THE UNITED STATES
9/11 AM 12 36

PETITION.

FILED

----- X
ESTATE OF LORRAINE A. McGAULEY,
deceased, by FREDERICK F. McGAULEY,
sole distributee,

1971 AUG 11 PM 2 04

UNITED STATES
TAX COURT

Petitioner

v.

Docket No. 5705-71

COMMISSIONER OF INTERNAL REVENUE

Respondent
----- X

PETITION

The above named petitioner hereby petitions for a redetermination of the deficiency set forth by the Commissioner of Internal Revenue in his notice of deficiency (AU:R:AT:ajs) dated May 17, 1971 and as a basis of his proceeding alleges as follows:

1. The petitioner, FREDERICK F. McGAULEY, is named in the said notice of deficiency as Executor of the estate of Lorraine A. McGauley, deceased, the mother of petitioner. No proceedings were had for the administration of the estate of said Lorraine A. McGauley; the Estate Tax Return herein was signed and filed on behalf of petitioner as the sole distributee of his mother, said LORRAINE A. McGAULEY, and this petition is filed by petitioner as such sole distributee. Petitioner's legal residence is 790 Fehr Avenue, Schenectady, New York 12309. The said Estate Tax Return was filed in the office of the Internal Revenue Service at Albany, New York.

PETITION

2. The notice of deficiency (a copy of which is attached and marked Exhibit A) was mailed to petitioner on May 17, 1971.

3. The amount of the deficiency, as determined by the Commissioner, is the sum of \$26,668.04, estate taxes upon the estate of LORRAINE A. McGAULEY, and the approximate amount of such taxes in controversy is the sum of \$30,813.69.

4. The determination of tax set forth in the said notice of deficiency is based upon the following errors:

A. The computation and determination of the Credit for Tax on Prior Transfers (Audit Statement Schedule Five, Part II, Item 5) to be the sum of \$15,016.82, whereas the correct amount of such credit is in the amount of \$45,830.51.

B. The computation and determination of the Net Estate Tax Payable (Audit Statement Schedule Five, Part II, Item 8) to be in the sum of \$221,093.88 whereas the Net Estate Tax Payable is the sum of \$190,280.19.

5. The facts upon which petitioner relies as sustaining the assignments of error are as follows:

A. Frederick F. McGauley, the husband of LORRAINE A. McGAULEY and the father of petitioner, died a resident of the County of Schenectady, State of New York on April 22, 1965 leaving a Last Will and Testament, which

PETITION

was duly admitted to probate, under the provisions of which he gave, devised and bequeathed his entire estate to his said wife, LORRAINE A. McGAULEY.

B. The adjusted gross estate of said Frederick F. McGauley, as determined by audit of the Estate Tax Return thereon amounted to the sum of \$616,082.64 and the Federal Estate Tax thereon is the amount of \$57,288.14, as determined by such audit, was duly paid.

C. LORRAINE A. McGAULEY died a resident of Schenectady County, State of New York on September 18, 1967, or within the third year period succeeding the date of death of her husband.

D. In accordance with the provisions of Sec. 2013 of the Internal Revenue Code of 1954 the estate of LORRAINE A. McGAULEY is entitled to a credit of 80 per cent of the Estate Tax paid upon her husband's estate or the sum of \$45,830.51.

WHEREFORE, the petitioner prays that this Court may hear the proceeding and adjudge and determine:

1. That the estate of LORRAINE A. McGAULEY is entitled to a credit of \$45,830.51 for the tax on said prior transfer;
2. That said deficiency in the amount of \$26,668.04 has been unlawfully and improperly assessed by the respondent;
3. That the Net Estate Tax payable on the estate of

PETITION

LORRAINE A. McGAULEY is the sum of \$190,280.19; and

4. That petitioner is entitled to a refund of \$4,145.65 upon the Estate Tax of \$194,425.84 heretofore paid on account of the estate of LORRAINE A. McGAULEY, deceased.

ADMITTED U. S. TAX COURT

Thomas A. Sully

THOMAS A. SULLY
Attorney for petitioner
Office & P.O. Address
60 East 42 Street
New York, N.Y. 10017
Phone No. (212) 867-5353

STATE OF NEW YORK)

COUNTY OF SCHENECTADY)

ss.:

FREDERICK F. McGAULEY, being duly sworn, deposes and says that he is the petitioner above named; that he has read the foregoing petition and is familiar with the statements contained therein, and that the statements contained therein are true, except those stated to be upon information and belief, and that those he believes to be true.

F. F. McGauley
FREDERICK F. McGAULEY

Subscribed and sworn to before me
this 6th day of August, 1971.

James S. B...
Notary Public

Notary Public
Residing: ...
Commission Expires: ... 1972

161 Washington Ave., Albany, N.Y. 12210

Department of the Treasury

8a

PETITION

**District Director
Internal Revenue Service**

Date:

In reply refer to:

May 17, 1971

AU:R:AT:a/s

► Mr. Frederick F. McGauley, Executor
790 Fehr Avenue
Schenectady, N.Y. 12309

Re: Estate of Lorraine A. McGauley
Date of Death: September 18, 1967

Deficiency \$26,668.04

Dear Taxpayer:

If you do not intend to contest this determination in the Tax Court of the United States, please sign and return the enclosed waiver form. This will permit an early assessment of the deficiencies and limit the accumulation of interest. The enclosed pre-addressed envelope is for your convenience.

If you decide not to sign and return the waiver, the law requires that after 90 days from the date of this letter (150 days if this letter is addressed to you outside the United States and the District of Columbia) we assess the deficiencies and take action to collect the tax. However, if within the time stated you contest this determination by filing a petition with the Tax Court, we may not assess any deficiencies for these years until after the Tax Court has decided your case.

You may obtain a copy of the rules for filing a petition with the Tax Court by writing to the Clerk, Tax Court of the United States, Box 70, Washington, D.C. 20044.

Sincerely yours,

Randolph W. Thrower

Commissioner

By

John Zahnleiter
Acting District Director

Enclosures:
Waiver, Form 870
Statement
Envelope

EXHIBIT A

Form L-80 (Rev. 9-68)

9a

PETITION

FORM 4069
JANUARY 1968

U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE

STATUTORY NOTICE STATEMENT

SYMBOLS

One

Estate of Lorraine A. McGauley
Frederick F. McGauley, Executor
790 Fehr Avenue
Schenectady, N.Y. 12309

KIND OF TAX

Estate

C

~~DEFICIENCY~~
Date of Death

DEFICIENCY

September 18, 1967

\$26,668.04

☐ Copy to Authorized Representative:

10a

PETITION

FORM 1273 TRANSLUCENT (REV. OCT. 1961)		U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE COMPUTATION OF ESTATE TAX		Audit Statement Sch- edule Five																																							
NAME OF		DATE OF DEATH		SCHEDULE																																							
Lorraine A. McConley		September 18, 1967																																									
PART I																																											
ITEM	AS SHOWN ON RETURN	AS CORRECTED																																									
1. GROSS ESTATE TAX	\$ 268,088.26	\$ 261,296.90																																									
2. CREDIT FOR STATE DEATH TAXES	27,841.91	27,184.20																																									
3. GROSS ESTATE TAX LESS CREDIT FOR STATE DEATH TAXES (From 1 minus item 2)	\$ 240,236.35	\$ 236,110.70																																									
PART II																																											
4. CREDIT FOR FEDERAL GIFT TAXES	\$	\$																																									
5. CREDIT FOR TAX ON PRIOR TRANSFERS	45,830.51	15,016.82																																									
6. CREDIT FOR FOREIGN DEATH TAXES																																											
TOTAL OF CREDITS UNDER PART II (Sum of items 4, 5, and 6)	45,830.51	15,016.82																																									
7. NET ESTATE TAX PAYABLE (From 3 minus item 7)	\$ 194,425.84	221,093.88																																									
8. Tax previously assessed		194,425.84																																									
9. <input checked="" type="checkbox"/> DEFICIENCY <input type="checkbox"/> OVERASSESSMENT		\$ 26,668.04																																									
<p>1. Item is adjusted to allow maximum credit for New York Estate Tax tentatively, subject to submission of substantiating evidence of payment, pursuant to Internal Revenue Code Section 2011.</p> <p>2. Item is adjusted to reflect allowance of maximum credit for taxes paid by Decedent's husband's estate on assets included herein pursuant to Internal Revenue Code Section 2013 and computed as follows per Schedule A of the Return:</p> <table border="1"> <thead> <tr> <th></th> <th>234,202.68</th> <th>78,755.06*</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>234,202.68</td> <td>240,351.11</td> </tr> <tr> <td>2.</td> <td>57,288.14</td> <td>57,288.14</td> </tr> <tr> <td>3.</td> <td>57,288.14</td> <td>18,771.03</td> </tr> <tr> <td>4.</td> <td>240,236.35</td> <td>236,110.70</td> </tr> <tr> <td>5.</td> <td>693,156.88</td> <td>834,672.45</td> </tr> <tr> <td>6.</td> <td>83,039.94</td> <td>82,089.94</td> </tr> <tr> <td>7.</td> <td>610,116.94</td> <td>752,582.51</td> </tr> <tr> <td>8.</td> <td>167,436.25</td> <td>210,751.57</td> </tr> <tr> <td>9.</td> <td>72,820.10</td> <td>25,359.13</td> </tr> <tr> <td>10.</td> <td>57,288.14</td> <td>18,771.03</td> </tr> <tr> <td>11.</td> <td>45,830.51</td> <td>15,016.82</td> </tr> <tr> <td>12. 800%</td> <td>616,082.64</td> <td></td> </tr> </tbody> </table> <p>Adjusted Gross Estate per RAR dated 8-21-68</p> <p>Less: Insurance payable to daughters (33,033 x .57809) \$ 19,096.05</p> <p>Probate settlement to child- ren: 5 x 27,500 + 5,000 attor- ney's fees (Reg. 20.2013-4(b))- (5)(1)) 142,500.00 161,596.05</p> <p>Less: Marital deduction and Taxes 454,486.59</p> <p>78,755.06</p>						234,202.68	78,755.06*	1.	234,202.68	240,351.11	2.	57,288.14	57,288.14	3.	57,288.14	18,771.03	4.	240,236.35	236,110.70	5.	693,156.88	834,672.45	6.	83,039.94	82,089.94	7.	610,116.94	752,582.51	8.	167,436.25	210,751.57	9.	72,820.10	25,359.13	10.	57,288.14	18,771.03	11.	45,830.51	15,016.82	12. 800%	616,082.64	
	234,202.68	78,755.06*																																									
1.	234,202.68	240,351.11																																									
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11.	45,830.51	15,016.82																																									
12. 800%	616,082.64																																										

PETITION

Estate of Lorraine A. McGauley
Date of Death: September 18, 1967

Audit Statement Schedule
Four

Explanation of Items

Gross Estate

	Per <u>Return</u>	As <u>Corrected</u>
Schedule E. Jointly Owned Property		
Item 4.	\$ 4,939.09	\$ 3,709.74
Decrease	(1,229.35)	

Item is adjusted to reflect inclusion of checking account at its date of death balance pursuant to Internal Revenue Code Section 2031.

Schedule G. Transfers During Decedent's Life

Item 1.(f) Columbia Gas-173 shs. com. @ 28.125	11,050.38	4,865.63
(u) United Aircraft-1,440 shs. com. @ 89.4375	101,798.28	128,790.00
2.	10,404.93	-0-
3.	27,500.00	-0-
4.(added) Life-tenant income	-0-	4,395.26
Totals	150,753.59	138,050.89
Decrease	(12,702.70)	

Items 1(f) and (u) are adjusted to reflect inclusion of securities at fair market values based on the mean of high and low market prices on date of death pursuant to Estate Tax Regulations Section 20.2031-2(b). Items 2 and 3 are excluded as being non-includible inter-vivos transfers.

Deductions

J. Funeral and Administration Expenses

Item 2., B. Administration Expenses	16,000.00	17,550.00
Increase	1,550.00	

Item is adjusted to allow deduction for actual expenses rather than as estimated, pursuant to Internal Revenue Code Section 2053.

K. Debts of Decedent

Item 13.	2,500.00	-0-
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Item is adjusted to reflect disallowance of a deduction for an obligation not enforceable against the Decedent at date of death, pursuant to Internal Revenue Code Section 2053.

12a

PETITION

FORM 3228 JAN. FEB. 1968		DEPARTMENT OF THE TREASURY - INTERNAL REVENUE SERVICE		SCHEDULE	
ADJUSTMENTS TO TAXABLE ESTATE				Three	
NAME OF DECEASED Lorraine A. McGauley				DATE OF DEATH September 18, 1967	
1. GROSS ESTATE REPORTED ON RETURN				\$ 927,359.36	
2. INCREASES (AND DECREASES) TO GROSS ESTATE					
3.	Jointly Owned Property	\$	(1,229.35)		
4.	Transfers During Decedent's Life		(12,702.70)		
5. NET CHANGES TO GROSS ESTATE (ITEMS UNDER LINE 2)				(13,932.05)	
6. CORRECTED GROSS ESTATE (LINE 1 AND LINE 5)				913,427.31	
7. TOTAL DEDUCTIONS AND EXEMPTION REPORTED ON RETURN		83,039.94			
8. INCREASES (AND DECREASES) TO DEDUCTIONS					
	Funeral and Administration Expenses		1,550.00		
9.	Debts of Decedent		(2,500.00)		
10. NET CHANGES TO DEDUCTIONS (ITEMS UNDER LINE 8)		(900.00)			
11. CORRECTED TOTAL DEDUCTIONS AND EXEMPTION (LINE 7 AND LINE 10)				(82,089.94)	
12. CORRECTED TAXABLE ESTATE (LINE 6 MINUS LINE 11)				831,337.37	

FORM 3228 (REV. 3-60)

PAGE

PETITION

FORM 3614 (TRANSLUCENT) (JULY 1966)		U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE	AUGUST STATEMENT SCHEDULE
ESTATE TAX		Two	
NAME Lorraine A. McGauley		Date of Death: September 18, 1967	
TAXABLE ESTATE PREVIOUSLY DETERMINED IN PRELIMINARY LETTER STATUTORY NOTICE DATED April 7, 1971		\$ 831,337.57	
INCREASE (DECREASE) TO TAXABLE ESTATE			
TAXABLE ESTATE AS REVISED		\$ 831,337.57	
TAX COMPUTATION	GROSS ESTATE TAX	\$ 263,294.90	
	CREDIT FOR STATE DEATH TAXES SUBSTANTIATED	-0-	
	GROSS ESTATE TAX LESS CREDIT FOR STATE DEATH TAXES	\$ 263,294.90	
	CREDIT:		
	For Tax on Prior Transfers	\$ 15,016.82	
	ESTATE TAX LIABILITY	\$ 248,278.08	
	ESTATE TAX ASSIGNED		
	GROSS DEFICIENCY DEFERRED	\$ 194,425.84	
	ADDITIONAL CREDIT FOR STATE DEATH TAXES A ND SUBSTANTIATED	\$ 33,852.24	
	NET DEFICIENCY DEFERRED	\$ 27,184.20	
		\$ 26,648.04	

PETITION

Re: Staley, Est of Lorraine A.
 DECEASED: 90

FORM 500 ESTATE, DEC. 31, 1954 TAXPAYER'S COPY	U. S. TREASURY DEPARTMENT - INTERNAL REVENUE SERVICE ESTATE TAX WAIVER OF RESTRICTIONS ON ASSESSMENT AND COLLECTION OF DEFICIENCY AND ACCEPTANCE OF OVERASSESSMENT	DATE RECEIVED BY INTERNAL REVENUE SERVICE
--	--	---

Pursuant to the provisions of section 6213 (d) of the Internal Revenue Code of 1954 or corresponding provisions of prior internal revenue laws, the undersigned executor or administrator waives the restrictions provided in sections 6212 (a) and 6213 (a) of the Internal Revenue Code of 1954, or corresponding provisions of prior internal revenue laws, and consents to the assessment and collection of the following deficiency, together with interest on the tax as provided by law, and accepts the following overassessment as correct:

ITEM	DEFICIENCY	OVERASSESSMENT
TAX	\$ 26,668.04	\$
ADT		
TOTAL	\$ 26,668.04	\$

ESTATE OF	BY (Executor or Administrator)
DATE	ADDRESS (Executor or Administrator)

Note.—The execution and filing of this form will expedite the adjustment of the tax liability as indicated above. It is not, however, a final closing agreement under section 7121 of the Internal Revenue Code of 1954, and does not, therefore, preclude the assertion of a deficiency or a further deficiency in the manner provided by law should it subsequently be determined that additional tax is due; nor does it extend the statutory period of limitation for refund, assessment, or collection of the tax.

RESPONDENT'S ANSWER TO PETITION, AS AMENDED.

DOCKET ROOM

FILED

ORIGINAL

UNITED STATES TAX COURT

JUN 29 PM 3 27 JUN 29 PM 3 26

ESTATE OF LORRAINE A. McGAULEY, Deceased,
 FREDERICK P. McGAULEY, Temporary
 Executor,

UNITED STATES
TAX COURTUNITED STATES
TAX COURT

Petitioner,

Docket No. 5705-71

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

ANSWER TO PETITION, AS AMENDED

THE RESPONDENT, in answer to the petition, as amended, filed in the above-entitled case admits, denies and alleges as follows:

1. Admits the allegations of the first, third and fourth sentences of paragraph 1 of the petition, as amended; denies the remaining allegations of said paragraph; alleges that the petitioner is Frederick P. McGauley as Temporary Executor of the Estate of Lorraine A. McGauley, Deceased.

2. Admits the allegations of paragraph 2 of the petition, as amended.

3. Admits that the deficiency as determined by the Commissioner is in estate tax in the amount of \$26,668.04, all of which is in controversy; denies that the petitioner is entitled to a refund in any amount.

4. A. and B. Denies that the respondent erred as alleged in subparagraphs A. and B. of paragraph 4 of the petition, as amended.

SERVED JUN 30 1972

FILE	
DKT-1	✓
CHK	
DKT-2	
FILE	✓
PFL	
EDGE	
DKT-3	
FILES	✓

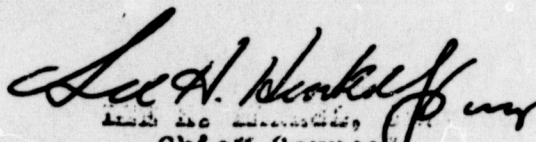
RESPONDENT'S ANSWER TO PETITION, AS AMENDED

5. A. through C. Admits the allegations of subparagraphs A. through C. of paragraph 5 of the petition, as amended.

D. Denies the allegations of subparagraph D. of paragraph 5 of the petition, as amended.

6. Denies generally each and every allegation of the petition, as amended, not hereinbefore specifically admitted, qualified or denied.

WHEREFORE, it is prayed that the deficiency determined by the respondent be in all respects approved.


Lee H. Wacker,
Chief Counsel,
Internal Revenue Service.

OF COUNSEL:

MARVIN E. HAGEN,
Regional Counsel,
RONALD A. WAGENHEIM,
Attorney,
Internal Revenue Service,
26 Federal Plaza (12th Floor),
New York, New York 10007.

STIPULATION OF FACTS.

ORIGINAL

UNITED STATES TAX COURT

**ESTATE OF LORRAINE A. McGAULEY, Deceased,)
FREDERICK F. McGAULEY, Temporary)
Executor,)**

Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

U. S. TAX COURT
FILED AT
NEW YORK
MAR 21 1973
DOCKET

Docket No. 5705-71

STIPULATION OF FACTS

The parties by their respective counsel, hereby stipulate and agree for purpose of this case, that the following facts and exhibits attached hereto and made a part hereof, may be taken as true subject to the rights of the parties to introduce other and further evidence not inconsistent with this stipulation and preserving the parties' rights to object at the time of trial to any and all portions of the stipulation and attached exhibits as they may deem irrelevant or immaterial.

1. Lorraine A. McGauley [hereinafter referred to as Decedent] died a resident of Schenectady County,

STIPULATION OF FACTS
New York on September 18, 1967.

2. The Estate Tax Return was filed by petitioner with the Office of the Internal Revenue Service at Albany, New York. A copy of said return is attached hereto as Exhibit 1-A.

3. At the time of filing the petition, herein, petitioner resided at 790 Fehr Avenue, Schenectady, New York.

4. Decedant's husband, Frederick F. McGauley died on April 22, 1965 leaving a Last Will and Testament, dated December 9, 1963, which was filed for probate in the Surrogate's Court of the County of Schenectady, New York. Frederick McGauley's Will provided that his entire estate would pass to his wife, Lorraine A. McGauley. A copy of the Will is attached hereto as Exhibit 2-B.

5. Patricia McLaughlin, Colleen Patten, Kathleen Michael, Nancy O'Reilly, all being children of Frederick F. McGauley filed objections to the probate of the Will described in paragraph 4, above. Said Will contest was withdrawn and the Will probated after the parties entered into an agreement that each of the above named children

STIPULATION OF FACTS

receive \$27,500.00 from the Estate of Frederick F.

McGauley. As a result of this agreement the Estate of Frederick F. McGauley paid \$27,500.00 to each of the children named above and \$5,000.00 legal fees to Loren W. Lillis, their attorney. The agreement was filed July 11, 1966 with the Schenectady County Surrogate's Court and a copy is attached hereto as Exhibit 3-C.

6. On December 2, 1966, Lorraine A. McGauley transferred to Frederick F. McGauley, Jr. securities with a fair market value of \$27,500.00. Frederick F. McGauley, Jr. was the fifth child of Frederick F. McGauley.

7. For the purposes of computing the credit for tax on prior transfers (Schedule R), the following facts are agreed to with respect to the Estate of Frederick F. McGauley (hereinafter referred to as transferor):

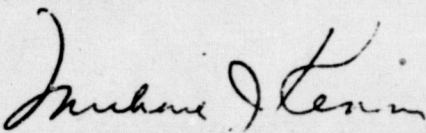
A. Adjusted gross estate of transferor	\$616,082.64
B. Amount of death taxes paid out of transferred property:	
1. Federal Estate tax	57,288.14
2. New York Estate tax	10,402.07
3. Canadian Estate tax	6,508.43

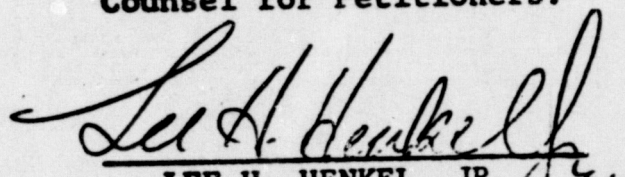
STIPULATION OF FACTS

C. Marital deduction allowed
transferor's estate in computing
its Federal estate tax 308,041.42

8. The parties further agree that the computation of the credit for tax on prior transfers as set forth in the statutory notice failed to reduce the value of the property transferred by the Canadian estate taxes in the amount of \$6,508.43 and incorrectly reduced the value of the property transferred by insurance proceeds in the amount of \$19,096.05.

9. A payment of \$28,000.00 to the State of New York for New York estate taxes of petitioner was made.


Counsel for Petitioners.


LEE H. HENKEL, JR.
Chief Counsel,
Internal Revenue Service.

TRANSCRIPT OF HEARING, MARCH 21, 1973.

ORIGINALTAX COURT
OFFICE OF THE CLERK
78 APR-5 4:12:00**UNITED STATES TAX COURT**

Estate of Lorraine Petitioner.
A. McGauley, et al

Docket No. 5705-71

Commissioner of Respondent.
Internal Revenue

HEARING AT

New York, New York

DATE

21 March 1973

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Pages 1 to 9

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TRANSCRIPT OF HEARING, MARCH 21, 1973

UNITED STATE TAX COURT

ESTATE OF LORRAINE A. McGAULEY, Deceased,
FREDERICK F. McGAULEY, Temporary Executor,

Petitioner

Docket Number
5705-71

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

United States Tax Court
Room 206 Federal Building
26 Federal Plaza
New York, New York

Wednesday 21 March 1973

Met, pursuant to notice, at 9:40 a.m.

BEFORE:

CHARLES R. SIMPSON, JUDGE.

APPEARANCES:

MICHAEL J. KENNY, ESQ.,
On behalf of Petitioner;

RONALD A. WAGENHEIM, ESQ.,
On behalf of Respondent;

HAROLD B. KUSHNER, ESQ.,
On behalf of Respondent.

TRANSCRIPT OF HEARING, MARCH 21, 1973

1 THE CLERK: Docket Number 5705-71, Estate of
2 Lorraine A. McGauley, Deceased by Frederick McGauley, Sole
3 Distributee.

4 MR. KENNY: Michael J. Kenny, Attorney for the
5 Petitioner, 60 East 42nd Street, New York. Your Honor, we
6 have --

7 THE COURT: Just a moment. Let's let the Respondent
8 enter an appearance too.

9 MR. KUSHNER: Harold B. Kushner for the Respondent.

10 MR. WAGENHEIM: Ronald A. Wagenheim, for the
11 Respondent.

12 THE COURT: Thank you, gentlemen.

13 MR. WAGENHEIM: Your Honor, just as a preliminary
14 matter, Mr. Kenny just got here with the signed Stipulation
15 of Facts and I'm wondering whether we could adjourn this
16 matter for just five minutes so that I could put the
17 Stipulation of Facts in order, have them signed by our office
18 and have the Exhibits properly attached. It will just take
19 five minutes.

20 THE COURT: I'll give you ten minutes.

21 (Whereupon, a short recess was taken.)

22 THE COURT: Are we ready to resume, gentlemen?

23 MR. WAGENHEIM: Yes, Your Honor.

24 THE COURT: Okay, do you wish to make an opening
25 statement?

TRANSCRIPT OF HEARING, MARCH 21, 1973

1 MR. KENNY: Yes, Your Honor, may I please.

2 THE COURT: Yes.

3 MR. KENNY: Your Honor, this case is one that only
4 has a point of law to be argued between Petitioner and
5 Respondent. We have stipulated all of the facts. The legal
6 question involved is not clear in my mind or the Government's.
7 This has to do with Section 2311 of the Internal Revenue
8 Code which allows the credit, up to 80 per cent, where there
9 is an Estate Tax paid by one person and then within a certain
10 number of months into years, the person receiving the Estate
11 also passes away. In this particular case, a doctor up in
12 Schenectady, New York, died and he left everything to his
13 widow. When his widow passed away, within a year or so
14 afterwards, there was a Will contest brought on by four
15 children that were the offspring of the doctor who died but
16 they were not of the widow. There was a settlement made
17 prior to trial and the argument now is whether or not the
18 woman, the widow who died, is her estate entitled to the
19 entire 80 per cent credit. Apparently, the major case is
20 one that came up to the United States Supreme Court in 1936
21 which involved a Will contest up in the State of
22 Massachusetts and there was a settlement made at that time
23 in the State of Massachusetts attempted to classify it as
24 income tax and the case having gone to the Supreme Court,
25 they said no, that for the purposes of income taxes in the

TRANSCRIPT OF HEARING, MARCH 21, 1973

4

1 State of Massachusetts, the money received by this heir at
2 law would not be classified as income taxes.

3 Now, I think that the Government, in my case, is
4 going to use this Supreme Court case as its major argument.
5 I, in turn, argue that under Section 2311, when the Congress
6 passed this particular act, they said that only in cases
7 where there was some sort of a hindrance or an encumbrance
8 on the property that was inherited by one person from another
9 would the tax or the credit not be allowed. Now, I've gone
10 a little bit further and I've notified Counsel here this
11 morning -- oh, excuse me. It's not 2311, it's 2013. I have
12 had one trip to Washington wherein I have been able to look
13 at the minutes in the Senate reports prior to this law being
14 passed in 1954 and I have further research to do but my
15 argument is primarily going to be that the Senate intended
16 that this credit be given fully unless there was an
17 encumbrance on it. The Government's position, I believe, is
18 going to be that under a United States Supreme Court decision,
19 that an heir at law did have a Will contest and did receive
20 some money, therefore the tax credit is cut back by that
21 much money.

22 Thank you, Your Honor.

23 THE COURT: Thank you. Somebody want to speak for
24 the Respondent?

25 MR. KUSHNER: Yes, Your Honor. Your Honor, we'd

TRANSCRIPT OF HEARING, MARCH 21, 1973

1 like to offer the original Stipulation of Facts and Exhibits
2 1A through 3C.

3 THE COURT: Very well, the Stipulation and
4 Exhibits will be received.

5 THE CLERK: Thank you, Mr. Kushner.

6 (Whereupon, the aforementioned documents
7 were marked as Joint Exhibits 1A through
8 3C for the purpose of identification and
9 received into evidence.)

10 MR. KUSHNER: Your Honor, as stated by the
11 Petitioner, this is primarily a legal decision involved
12 considering the proper application of Section 2013 to the
13 facts at hand. The facts briefly stated are as follows:

14 On April 22nd, 1965, Frederick F. McGauley, Sr.
15 died testate. His Will provided that his entire estate pass
16 to his wife, the decision in the present case. Frederick's
17 four daughters initiated a bona fide Will contest claiming
18 Frederick's Will to be invalid. An agreement settling this
19 Will contest required the wife, the Executrix of Frederick's
20 Estate, to pay his four daughters \$27,500.00 each and their
21 attorney \$5,000.00 legal fee from the assets of Frederick's
22 Estate. The Estate of Frederick McGauley made these payments
23 totalling \$115,000.00 accordingly. Additionally, Lorraine
24 transferred securities with a fair market value of
25 \$27,500.00 to her son Frederick McGauley, Jr. in discharge

TRANSCRIPT OF HEARING, MARCH 21, 1973

1 of an apparently similar obligation. The remainder of
2 Frederick's Estate was transferred to Lorraine who
3 subsequently died September 18th, 1967.

4 Under the provisions of Section 2013 of the
5 Internal Revenue Code 1954, Lorraine's Estate is entitled to
6 an Estate Tax credit equal to 80 per cent of the Estate Taxes
7 paid by Frederick's Estate attributable to property transferred
8 by it to Lorraine. The sole issue for determination in the
9 present case is the value of property transferred from
10 Frederick's Estate to Lorraine. The parties disagree as to
11 whether or not the previously discussed payments totalling
12 \$142,500.00 should properly be considered as having been
13 transferred to Lorraine from Frederick's Estate. It is
14 Respondent's position that the \$115,000.00 that passed from
15 Frederick's Estate to his daughters and their attorney
16 pursuant to the agreement in settlement of the Will contest,
17 as well as the \$27,500.00 transferred to Frederick, never
18 constituted property transferred to Lorraine McGauley from
19 her husband's Estate as required for the credit allowed in
20 Section 2013A.

21 It is stipulated in Paragraph Five of the Stipula-
22 tion of Facts all of the amounts paid Frederick's daughters
23 were transferred directly to them and their attorney from
24 Frederick's Estate. There's a well-established principle of
25 Estate Tax Law that a settlement payment made by an Executor

TRANSCRIPT OF HEARING, MARCH 21, 1973

1 or Executrix in compromise of a claim against the Estate
2 constitutes the passing of property from the Estate to the
3 recipient for Estate Tax purposes and applying this
4 principle to the present case, it is clear that the payments
5 to Frederick's children and their attorney, passed to the
6 recipients and not to Lorraine or her estate. Therefore, in
7 computing the allowable Section 2013 credit for the
8 decedent's estate, the amount of property transferred from
9 Frederick's estate to her estate should not include the five
10 payments of \$27,500.00 to each of the children or the
11 \$5,000.00 legal fee payment.

12 Even though Frederick's Will left everything to
13 Lorraine, \$142,500.00 of his Estate passed directly to his
14 children and their attorney. In fact, this property was
15 never transferred to Lorraine. It never entered nor passed
16 through her Estate but went directly to Frederick's children
17 in settlement of their claims or potential claims against
18 Frederick's Estate. Additionally, Respondent would also
19 like to point out to the Court two mistakes made in the
20 Statutory Notice in computing the value of the property
21 transferred from Frederick's Estate to Lorraine's.

22 The value of property transferred was improperly
23 reduced by \$19,096.05 representing insurance payable to
24 daughters as listed on Statutory Notice. Also, the value of
25 property transferred was not reduced by \$6,508.43 United

TRANSCRIPT OF HEARING, MARCH 21, 1973

1 States dollars for Canadian death taxes paid. Respondent
2 and Petitioner both acknowledge these mistakes in Paragraph
3 Eight of the Stipulation. The additional credit for State
4 death taxes allowable has been substantiated as stated in
5 Paragraph Nine of the Stipulation.

6 Thank you, Your Honor.

7 THE COURT: Very well. Now, as I announced on
8 Monday, I like seriatum briefs and under that arrangement,
9 Mr. Kenny, you will file the original brief, the Respondent
10 will file a brief in answer and you file a reply brief. How
11 long would you like for your original brief?

12 MR. KENNY: Your Honor, I would like at least 60
13 days.

14 THE COURT: All right. I'll give you 60 days.
15 Now you say at least, I hope you can actually get it in in
16 60 days.

17 MR. KENNY: I believe I should be able to. If I
18 cannot, of course, I'll make the proper motion.

19 THE COURT: Right, but I don't like too many of
20 those motions.

21 MR. KENNY: No, sir. 30 days and then --

22 THE COURT: Just a second, now, how long does the
23 Government want for their answering brief?

24 MR. KUSHNER: Whatever dates are convenient for
25 the Court.

TRANSCRIPT OF HEARING, MARCH 21, 1973

1 THE COURT: Is 45 days enough?

2 MR. KUSHNER: That's fine, Your Honor.

3 THE COURT: All right. And then for your reply?

4 MR. KENNY: 30 days please?

5 THE COURT: All right. Thank you. Clerk, what
6 would be those dates, 60, 45 and 30?

7 THE CLERK: Those dates would be May 21, July 5
8 and August 5 -- excuse me, August 6.

9 THE COURT: All right, thank you, gentlemen. This
10 completes this case then?

11 MR. KUSHNER: Yes, it does. Your Honor.

12 MR. KENNY: Yes, sir.

13 THE COURT: All right, thank you very much.

14 (Whereupon, the case was closed at 10:00 a.m.)
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TRANSCRIPT OF HEARING, MARCH 21, 1973

UNITED STATES TAX COURT

Certificate of TranscriberDocket No. 5705-71 Name: Estate of Lorraine McGauley

The foregoing pages, numbers 1 through 9
inclusive, are the true, accurate and complete transcript
prepared from the verbal recording made by electronic recording
by Joseph Lemerise on March 21, 1973
in the United States Tax Court located in New York City
 , in accordance with the applicable
provisions of the current reporting contract of the Court
under which I have performed my duties as transcriber.

Barbara J. Berry
(Name)

3/29/73
(Date)

OPINION OF THE UNITED STATES TAX COURT.

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61 T. C. No. 39

UNITED STATES TAX COURT

ESTATE OF LORRAINE A. MCGAULEY, Deceased, FREDERICK F. MCGAULEY,
 Temporary Executor, Petitioner v. COMMISSIONER
 OF INTERNAL REVENUE, Respondent

Docket No. 5705-71.

Filed December 12, 1973.

Pursuant to settlement of a will contest, the estate transferred property to certain heirs who challenged the will. Held, such property is not includable in the property transferred to the beneficiary under the will for purposes of the credit under sec. 2013, I.R.C. 1954; held further, property transferred by the beneficiary to another heir who did not challenge the will was a gift not excludable from the property transferred by the estate for purposes of the credit under sec. 2013.

Michael J. Kenny, for the petitioner.

Harold B. Kushner and Ronald A. Wagenheim,
 for the respondent.

DEC 12 1973

OPINION OF THE UNITED STATES TAX COURT

- 2 -

OPINION

SIMPSON, Judge: The respondent determined a deficiency of \$26,668.04 in the petitioner's estate tax. Due to concessions, the only issue remaining for decision is whether certain property was transferred to the decedent for purposes of the estate tax credit under section 2013, Internal Revenue Code of 1954,¹ relating to prior transfers of property.

All of the facts have been stipulated, and those facts are so found.

The petitioner is the estate of Lorraine A. McGauley, who died on September 18, 1967. The temporary executor of the estate was Frederick F. McGauley, Jr., her son, who resided in Schenectady, New York, at the time the petition was filed in this case. The estate's Federal estate tax return was filed with the district director of internal revenue, Albany, New York.

Lorraine A. McGauley's husband, Frederick F. McGauley, died on April 22, 1965. His will provided that all his property should pass to Mrs. McGauley. The four daughters of Mr. McGauley filed objections to the probate of his

I

All statutory references are to the Internal Revenue Code of 1954.

OPINION OF THE UNITED STATES TAX COURT

will. Subsequently, they withdrew their opposition to probate after they and Mrs. McGauley entered into an agreement on June 29, 1966, whereby each daughter was to receive \$27,500 and their lawyer \$5,000 from Mr. McGauley's estate. The payments were stipulated to be in full settlement of their claims against the estate. Sometime after the agreement was made, Mr. McGauley's estate distributed the agreed amounts to the daughters and their lawyer.

On December 2, 1966, Mrs. McGauley gave \$27,500.00 worth of securities to her son, Frederick F. McGauley, Jr. In 1965, Mrs. McGauley also made a gift to her son of securities valued at \$10,404.93 in the estate tax return, and in 1967, she established a substantial trust with respect to which she retained the right to income for her life, her son was the trustee, and her son received the remainder interest. In the estate tax return, the trust assets were valued at \$742,872.89. Gift tax returns were filed with respect to the gifts in 1965 and 1966. Frederick F. McGauley, Jr., was also the joint owner of the house which he and Mrs. McGauley occupied. Her savings accounts and checking account were held in both their names.

On the estate tax return, the estate claimed a credit under section 2013 based on the entire value of Mr.

OPINION OF THE UNITED STATES TAX COURT

McGauley's estate. In his notice of deficiency, the respondent determined that the payments made to Mr. McGauley's children, including the \$110,000 paid to the daughters, the \$5,000 paid to their attorney, and the \$27,500 paid to the son, were not transferred to Mrs. McGauley by Mr. McGauley's estate and, accordingly, were not subject to the credit under section 2013.

We must decide whether the money Mr. McGauley's estate paid to his daughters and the securities Mrs. McGauley transferred to her son constituted property transferred by Mr. McGauley to Mrs. McGauley for purposes of section 2013.

Section 2013(a) provides, in part, that the estate tax imposed upon an estate "shall be credited with all or a part of the amount of the Federal estate tax paid with respect to the transfer of property * * * to the decedent by or from a person * * * who died within 10 years before * * * the decedent's death."

In Lyeth v. Hoey, 305 U.S. 188 (1938), an heir of the decedent received property from the executors of the decedent's estate in settlement of a will contest he had initiated. The Supreme Court held that since he was an heir and acquired the property by reason of his claim as an heir, the property was acquired by inheritance, and consequently, it was excludable from his gross income

OPINION OF THE UNITED STATES TAX COURT

under a predecessor of section 102, which states, in part, that property received by inheritance shall not be included in gross income. The Court did not specifically state that the property had been received from the decedent; but its conclusion that the property was acquired by inheritance assumes that the property was transferred by the decedent.

Although Lyeth v. Hoey was concerned with the income tax, it has been held applicable to, and its rationale has been followed in, the estate tax area. In Thompson's Estate v. Commissioner, 123 F. 2d 816 (C.A. 2, 1941), affg. a Memorandum Opinion of this Court, the heirs of the decedent challenged a will providing that the residue of the estate should pass to charity. It was held that the amounts paid to the heirs in settlement of their claims were acquired from the decedent and reduced the amount passing to the charity. Similarly, in Estate of Gertrude P. Barrett, 22 T.C. 606 (1954), the husband of the decedent threatened to challenge the will, and it was held that the amount paid to him in settlement of his claim should be treated as passing to him from his deceased wife and that such amount qualified for the marital deduction under section 2056. See also Estate of Leo J. Dutcher, 34 T.C. 918 (1960). On the other hand, when a surviving spouse

OPINION OF THE UNITED STATES TAX COURT

relinquished his claim to property he would otherwise have received from the decedent spouse, the property was not considered as having passed to him from the decedent for purposes of the marital deduction. Estate of Ralph Slocum Davenport, 38 T.C. 670 (1962), affd. sub nom. United States Trust Company of New York v. Commissioner, 321 F. 2d 908 (C.A. 2, 1963), cert. denied 376 U.S. 937 (1964).

The principles of such cases are dispositive of the issues in the case before us. Under section 2013, the credit is only applicable "with respect to the transfer of property * * * to the decedent." The daughters were heirs of Mr. McGauley who challenged his will, and the amounts paid to them were in satisfaction of their claims. Consequently, under the cases, such amounts were transferred to them by Mr. McGauley, and they never became a part of the property transferred to Mrs. McGauley. Lyeth v. Hoey, supra; Thompson's Estate v. Commissioner, supra; Estate of Gertrude P. Barrett, supra.

The petitioner argues that the cases relating to the marital deduction are not pertinent because that deduction is allowed with respect to property "which passes" from the decedent to the surviving spouse and because under section 2013, the credit is allowed "with respect to the transfer of property * * * to the decedent." However, the

OPINION OF THE UNITED STATES TAX COURT

ultimate fact to be determined under both sections 2056 and 2013 is similar so that the cases relating to the marital deduction are equally applicable under section 2013. The petitioner also contends that section 2013 contains no express provisions for reduction of the property transferred by reason of payments in settlement of claims of heirs against the estate. This argument overlooks the fact that section 2013 only applies with respect to property transferred to the decedent, and thus, it is necessary to determine what property was so transferred in order to determine what credit is allowable under the section. We hold that the payments to the daughters and their attorney were not a part of the property transferred to Mrs. McGauley, and that the credit under section 2013 shall be computed without regard to such payments.

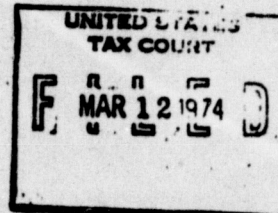
Our conclusion is different with respect to the transfer of securities worth \$27,500 to the son, Frederick F. McGauley, Jr. Although he, too, was an heir of Mr. McGauley, he did not join in the action challenging the will, and there is no indication that he threatened to do so. On the contrary, the evidence reveals that he had no reason to join his sisters in challenging the will. He was a joint owner of a substantial portion of Mrs. McGauley's assets. Prior to the transfer to him in 1966,

OPINION OF THE UNITED STATES TAX COURT

he received another gift from his mother of more than \$10,000, and in 1967, she established a substantial trust from which he stood to derive much greater benefits than could have been secured by challenging the will. The evidence does not show that Mrs. McGauley made any gifts to the daughters comparable to what she gave her son. Moreover, Mrs. McGauley treated the outright transfers to her son as gifts and filed gift tax returns with respect to them. Under these circumstances, we find that the transfer to the son was a gift from his mother of property that she acquired from Mr. McGauley. Hence, such property is includable in the property transferred to her for purposes of the credit under section 2013.

Decision will be entered
under Rule 50.

RESPONDENT'S COMPUTATION FOR ENTRY OF DECISION.

ORIGINAL
UNITED STATES TAX COURTESTATE OF LORRAINE A. McGAULEY,)
Deceased, FREDERICK F. McGAULEY,)
Temporary Executor,)
DOCKET ROOM

MAR 12 1974 PM 3 41

v.)
COMMISSIONER OF INTERNAL REVENUE,)
Respondent.)

UNITED STATES TAX COURT

Docket No. 5705-71

RESPONDENT'S COMPUTATION FOR ENTRY OF DECISION

The attached computation is submitted, on behalf of the respondent, in compliance with the Court's opinion determining the issues in this case, together with a proposed decision which is being lodged concurrently with said computation.

This computation is submitted without prejudice to respondent's right to contest the correctness of the decision entered herein by the Court.

MEADE WHITAKER,
Chief Counsel,
Internal Revenue Service.

3-7-74

By: Theodore E. Davis
THEODORE E. DAVIS, TSY
Assistant Regional Counsel.

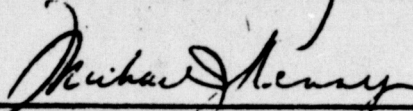
OF COUNSEL:

MARVIN E. HAGEN,
Regional Counsel,
HAROLD B. KUSHNER,
Attorney,
Internal Revenue Service,
26 Federal Plaza (12th Floor),
New York, New York 10007,
Tel. No. 212-264-2438.

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RESPONDENT'S COMPUTATION FOR ENTRY OF DECISION

Without prejudice to the right of appeal, it is agreed that the attached computation is in accordance with the opinion of the Tax Court in this case.


Counsel for Petitioner

RESPONDENT'S COMPUTATION FOR ENTRY OF DECISION
COMPUTATION STATEMENT

In re: Estate of Lorraine A. McGauley,
Deceased, Frederick F. McGauley,
Temporary Executor

Docket No. 5705-71

Estate Tax

Net Deficiency

D/D 9/18/67

\$18,393.04

The details supporting the above computation are set forth in the attached Statement of Account page and four pages of the Audit Statement.

RESPONDENT'S COMPUTATION FOR ENTRY OF DECISION

STATE OF	DATE OF DEATH
<u>Levelline A. McGauley</u>	<u>9-18-67</u>
TAXABLE ESTATE AS SHOWN IN:	\$ <u>831,337.57</u>
<input type="checkbox"/> RETURN AS FILED <input type="checkbox"/> PRELIMINARY LETTER DATED <input checked="" type="checkbox"/> STATUTORY NOTICE DATED <u>5-17-71</u>	
CREASES (DECREASES) TO TAXABLE ESTATE	
TAXABLE ESTATE AS REVISED	\$ <u>831,337.57</u>
GROSS ESTATE TAX	\$ <u>263,294.90</u>
CREDIT FOR STATE DEATH TAXES SUBSTANTIATED	<u>27,184.20</u>
GROSS ESTATE TAX LESS CREDIT FOR STATE DEATH TAXES	\$ <u>236,110.70</u>
OTHER CREDITS	
<u>Tax on Prior Transfers (See Exhibit A)</u>	<u>23,241.82</u>
ESTATE TAX LIABILITY	\$ <u>212,818.88</u>
ESTATE TAX ASSESSED	<u>194,425.84</u>
DEFICIENCY (OVERASSESSMENT)	\$ <u>18,393.04</u>
LESS: ADDITIONAL CREDIT FOR STATE DEATH TAXES ALLOWABLE, IF SUBSTANTIATED	<u>None</u>
DEFICIENCY (OVERASSESSMENT) AFTER STATE DEATH TAXES ALLOWABLE	\$ <u>18,393.04</u>

RESPONDENT'S COMPUTATION FOR ENTRY OF DECISION

Rule 50 Computation.

FORM 3610 REV. MARCH 1973	DEPARTMENT OF THE TREASURY - INTERNAL REVENUE SERVICE	SYMBOLS AP: NH: HEK: MK
AUDIT STATEMENT		

NAME OF TAXPAYER (PETITIONER)

Estate of Lorraine A. McGauley

KIND OF TAX

Estate

DOCKET NUMBER

5705-71

DEFICIENCY

OVERASSESSMENT

TAX YEAR ENDED
Date of Death:

9-18-67

Gross deficiency determined	18,393.04
Additional credit allowable, substantiated	None
Net deficiency	18,393.04

☐ Interest for _____ will be computed under section _____ of the Internal Revenue Code.
(Year)

☐ The deficiency shown above for _____ does not take into account a payment of \$ _____ made on _____
(Year) (Date)

Findings of Fact and opinion, United States Tax Court, 61 T.C. No. 39, Filed Dec. 12, 1973 and Regional Counsel Memorandum, dated Dec. 15, 1973

RESPONDENT'S COMPUTATION FOR ENTRY OF DECISION

TRANSLUCENT JULY 1963	EXPLANATION OF ADJUSTMENTS	Exhibit A
NAME	Estate of Lorraine A. McCauley	Date of Death 9-18-67

Schedule R

Part I - Transferee's Tax on Prior Transfers

Line 1 - Net value of transfers: stat. notice $\$78,755.06$
 Less: Canadian estate taxes (6,508.43)
 Add: Insurance Proceeds 19,096.05
 Value of gift to F.F. McCauley, Jr. 27,500.00 $40,087.62$

Line 1 - Net value of transfers determined $\$118,842.68$

Line 2 - Value of transferor's estate $(240,351.11 - 6,508.43)$ $\$233,842.68$

Line 3 - Tax on Transferor's estate $\$57,288.14$

Line 4 - Transferee's tax on prior transfers $(\frac{118,842.68}{233,842.68} \times 57,288.14)$ $\$29,114.77$

Part II - Transferee's Tax on Prior Transfers

Line 5 - Transferee's Tax before credit $\$236,110.70$

Line 6 - Transferee's reduced gross estate $(\$13,427.51 - \$118,842.68)$ $\$794,584.83$

Line 7 - Transferee's deductions $\$2,089.91$

Line 8 - Transferee's reduced taxable estate (6-7) $\$712,494.89$

Line 9 - Tax on reduced taxable estate $\$198,593.46$

Line 10 - Transferee's tax on prior transfers (5-9) $\$37,517.24$

Part III - Credit Allowable

Line 11 - Maximum amount before 90% (smaller of 4 or 10) $\$29,114.77$

Line 12 - % allowable - 80%

Line 13 Credit allowable $(29,114.77 \times 80\%)$ $\$23,291.82$

Rule 50 Computation

STATEMENT OF ACCOUNT				SCHEDULE NUMBER		REFERENCE SYMBOLS	
NAME AND ADDRESS				1		AP: NH: HOK: MK	
Estate of Lorraine A. McGouley				DOCKET NUMBER		KIND OF TAX	
				5705-71			
				TAXABLE YEAR ENDS - Date of Death			
				9-18-67			
GROSS LIABILITY				212,818.98			
ADDED (Deducted by credit)							
DOCUMENT LOCATOR NO.				194,425.84			
ADDITIONAL ADJUSTMENTS							
DATE		DOCUMENT LOCATOR NO.					
DATE		DOCUMENT LOCATOR NO.					
TOTAL GROSS ADJUSTMENTS				194,425.84			
Refund to Assessor (Overpayment)				18,393.04			
GROSS LIABILITY				212,818.98			
PAYMENTS (Deductions)							
1968		1969					
12-19				194,425.84			
TOTAL GROSS PAYMENTS				194,425.84			
Refund to Payor (Overpayment)				18,393.04			
TAXABLE YEAR ENDS		EXPIRATION DATE		DATE RETURN FILED		DATE EXTENDED TO	
SECTION		YEAR		FILED		EXTENDED TO	
		1968					
		1969					
		1970					

ORIGINAL

47a

DECISION.

UNITED STATES TAX COURT

ESTATE OF LORRAINE A. MCGAULEY,
Deceased, FREDERICK F. MCGAULEY,
Temporary Executor,

Petitioner;

v.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

S) CIV. NO.

) Docket No. 5705-71

DECISION

Pursuant to the opinion of the Court filed December 12, 1973, and incorporating herein the facts recited in the respondent's computation as the findings of the Court, it is

ORDERED and DECIDED: That there is a deficiency in estate tax due from the petitioner in the amount of \$18,393.04.

Charles A. Simpson

Judge. *CSL*

Entered: ENTERED MAR 14 1974

29 47

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DKT-1	BV
CLK	
DKT-2	
CAL	
SERV	
STAT	
APPL	
JUDGE	<i>Simpson</i>
COM R	
FILES	

RECEIVED

MAR 14 1974

DECISION

It is hereby stipulated that the foregoing decision is in accordance with the opinion of the Court and the respondent's computation, and that the Court may enter this decision, without prejudice to the right of either party to contest the correctness of the decision entered herein.

Michael John Kenny

MICHAEL JOHN KENNY,
Counsel for Petitioner,
Lincoln Building
60 East 42nd Street,
New York, New York 10017
Tel. No. 212-867-5353.

MEADE WHITAKER,
Chief Counsel,
Internal Revenue Service.

By: *Theodore E. Davis*
THEODORE E. DAVIS, JSH
Assistant Regional Counsel,
26 Federal Plaza (12th Floor),
New York, New York 10007,
Tel. No. 212-264-2438.

3-7-74

EXHIBIT 1-A.

Form 706 (Rev. Jan. 1968)

U. S. TREASURY DEPARTMENT

Internal Revenue Service

Form 706A

UNITED STATES ESTATE TAX RETURN

Decedent's first name and middle initial
LORRAINE A.

Decedent's last name
McGAULEY

Decedent's social security number
090-36-6855

Employer identification number for estate
None

Date of death
9/18/67

Citizenship (nationality) at time of death
United States

Residence (domicile) at time of death
790 Fair Avenue, Schenectady, New York

Did the decedent die testate?
☒ Yes ☐ No

Were letters testamentary or of administration granted for this estate?
☒ Yes ☐ No

Date granted

Case No.

Name of court

Location of court

To whom granted? (Designate whether executor, executrix, administrator, or administratrix. Explain if different from the person or persons filing return)

NAME

RESIDENCE

ADDRESS (Number, street, city, State, and Postal ZIP code)

Frederick F. McGauley son

290 Fehr Ave.

Schenectady, NY.

12309

1-A

COMPUTATION OF TAX
(See instructions on page 31)

Taxable estate (Item 5, Schedule P, or Item 9, Schedule Q, whichever is applicable)

PART I

1. Gross estate tax (see table A, page 40)

2. Credit for State death taxes (see Table B, page 40)

3. Gross estate tax less credit for State death taxes (Item 1 minus Item 2). This is the net amount payable unless credit for Federal gift taxes, tax on prior transfers, or foreign death taxes is claimed in Part II

PART II

4. Credit for Federal gift taxes

5. Credit for tax on prior transfers

6. Credit for foreign death taxes

7. Total of credits under Part II (total of items 4, 5, and 6)

8. Net estate tax payable (Item 3 minus Item 7)

(SPACE FOR USE OF INTERNAL REVENUE SERVICE)

Amounts

Type of amount (tax, interest, etc.)

Amount

Unit

Page

Line

Payments

Interest

194,425.84

21 1968

DETERMINATION BY INTERNAL REVENUE SERVICE

Page 1

EXHIBIT 1-A

GENERAL INFORMATION

1. Address of decedent at time of death (Number, street, city, State, and Postal ZIP code)

790 Fehr Avenue, Schenectady, New York, 12309

2. State in which domiciled at time of death
New York3. Year in which this domicile was established
19324. Place of death
Schenectady, New York5. Cause of death
Bronchogenic Carcinoma

6. Length of last illness

7. Decedent's physicians

Dr. Joseph C. Driscoll
Dr. Robert Whitlock *
Dr. Joseph O'Brien *
Dr. Edgar Housapian *

Union St., Schenectady, New York
*Columbia-Presbyterian Hospital,
New York, N.Y.

8. If decedent was confined in a hospital during his last illness or within 3 years prior to his death, give name and address of hospital

Neurological Institute, West 168th St., New York, N.Y.
Albany Medical Center, Albany, New York

9a. Date of birth
8/6/19079b. Place of birth (City and State or country, if other than United States)
St. Johnsbury, Vermont10a. Business or occupation
Retired10b. If retired, state former business or occupation
Surgeon10c. Business name
None10d. Decedent's employer identification number, if any
None10e. Business address (Number, street, city, State, and Postal ZIP code)
None

11. Marital status of decedent at date of death:

☐ Married☐ Single☐ Legally separated☒ Widow or Widower☐ Divorced

11a. Name of surviving husband or wife

11b. Social security number of surviving husband or wife

11c. Date of marriage to surviving husband or wife

11d. Domicile at date of marriage to surviving husband or wife

12a. If decedent was a widow or widower, give name of deceased husband or wife
Frederick F. McGauley12b. Date of death of deceased husband or wife
4/22/65

14. Individuals who receive benefits from the estate (do not include charitable beneficiaries shown in Schedule N or any heir receiving less than \$1,000)

Name.—Enter the name of each individual who receives benefits from the estate directly as an heir, next-of-kin, devisee or legatee or indirectly (for example, as beneficiary of a trust, shareholder of a corporation or partner of a partnership which is an heir, etc.).

Social Security Number.—If the individual has no social security number, use his taxpayer account number.

Age.—On the date of the decedent's death.

Relationship.—Include relationships by blood, marriage, or adoption or indicate NONE.

Amount.—Value all interests on the date of death or the alternate valuation date, whichever is used for estate tax purposes. The interest of each beneficiary should be valued in the same manner as it would be valued for estate or gift tax purposes. Where precise values cannot readily be determined, a reasonable approximation should be entered. The sum of the values of the interests of all unborn or otherwise unascertainable beneficiaries should be shown on the last line (all unascertainable beneficiaries).

Name	Social Security Number	Age	Relationship to Decedent	Amount
Frederick F. McGauley, Jr.	132-28-5414	32	son	Entire Estate
All unascertainable beneficiaries				

ESTATE OF LORRAINE A. MCGAULEY

Page 3

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EXHIBIT 1-A

GENERAL INFORMATION—Continued

15a. Did the decedent at date of death own property in any State or country other than that of his last domicile?
If "Yes," state place of ancillary probate proceedings ☐ Yes ☒ No

15b. Name of ancillary administrator or executor

15c. Address of ancillary administrator or executor (Number, street, city, State, and Postal ZIP code)

16a. Did the decedent at the time of his death have a safe deposit box held either alone or in the joint names of himself and another?
If "Yes," state location ☒ Yes ☐ No

The Schenectady Trust Co., Union St. & Woodland Ave., Schenectady, New York

16b. If held jointly, give the name of the joint depositor

Frederick P. McGauley

16c. Relationship of joint depositor to decedent
SON

16d. If the decedent had a safe deposit box at the time of his death, indicate by schedule and item number under what schedules in this return the contents are listed

None

16e. If any of the contents of the safe deposit box are omitted from the schedules, explain fully why omitted

None

17. Did the undersigned person or persons filing return make diligent and careful search for property of every kind left by the decedent? ☒ Yes ☐ No

18. Did the same undersigned make diligent and careful search for information as to any transfers (other than outright transfers not in trust) of the value of \$5,000 or more made by the decedent during his lifetime without an adequate and full consideration in money or money's worth? ☒ Yes ☐ No

19. Did the same undersigned make diligent and careful search for the existence of any trusts created by the decedent during his lifetime or any trusts created by other persons under which the decedent possessed any power, beneficial interest, or trusteeship? ☒ Yes ☐ No

20a. Name of attorney representing estate, if any

Thomas A. Sully

20b. Address (Number, street, city, State, and Postal ZIP code)

60 East 42nd Street, New York, N.Y., 10017

20c. Telephone No.

212-867-5353

ALTERNATE VALUATION

(These instructions apply only if alternate valuation is elected. For further information on this subject, see General Instructions on page 4.)

21. An election to have the gross estate of the decedent valued as of the alternate date or dates is made by entering a check mark in the box set forth below.

☐ The executor elects to have the gross estate of this decedent valued in accordance with values as of a date or dates subsequent to the decedent's death as authorized by section 2032 of the Code.

ESTATE OF LORRAINE A. MCGAULEY

Page 5

EXHIBIT 1-A

**GROSS ESTATE
SCHEDULE A
REAL ESTATE**

Did the decedent, at the time of his death, own any real estate required to be included in the gross estate? See General ☒ Yes ☐ No
Instruction 1, page 4.

Line No.	Description	Subsequent valuation date	Alternate value	Value at date of death
1	See Schedule "E"		\$	\$
TOTAL (also enter under the Recapitulation, Schedule O) (If more space is needed, insert additional sheets of same size)			\$	\$ 0

ESTATE OF LORRAINE A. McGAULEY

Schedule A—Page 7

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EXHIBIT 1-A

SCHEDULE C
MORTGAGES, NOTES, AND CASH

Did the decedent, at the time of his death, own any mortgages, notes, or cash?

☐ Yes ☒ No

Item No.	Description	Schedule O value- less date	Alternate value	Value at date of death
1	See Schedule "E"		\$	\$
TOTAL (also enter under the Recapitulation, Schedule O)			\$	\$ 0'

(If more space is needed, insert additional sheets of same size)

ESTATE OF LORRAINE A. MCGADLEY

Schedule C—Page 11

EXHIBIT 1-A

SCHEDULE D
INSURANCE

- 1a. Was any insurance on life of decedent receivable by his estate?
☐ Yes ☒ No
- 1b. By beneficiaries other than estate?
☒ Yes ☐ No
2. Was there any insurance on the decedent's life which is not included in the return as a part of the gross estate?
☒ Yes ☐ No If "Yes," a complete explanation as to all such insurance must be submitted.

Item No.	Description	Subsequent valuation date	Alternate value	Value at date of death
1	<p>At the date of decedent's death there was in force life insurance policy No. 66-391-935 of The Equitable Life Assurance Society of the United States upon her life in the face amount of \$50,000.00. All premiums upon said policy were paid by the named beneficiary, her son, Frederick F. McGauley, Jr., who possessed all of the incidents of ownership thereof as appears from the attached letter of The Equitable Life Assurance Society of the United States dated November 29, 1968.</p> <p>See also Schedule "F"</p>		\$	\$
TOTAL (also enter under the Recapitulation, Schedule O)			\$	\$ 01

(If more space is needed, insert additional sheets of same size)

ESTATE OF LORRAINE A. MCGAULEY

Schedule D—Page 13

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EXHIBIT 1-A



HOME OFFICE NEW YORK, NEW YORK

P. D. HUSBAND, C.I.U.
CASHIER
120 STATE STREET
ALBANY, NEW YORK 12207

Mr. Frederick F. Mc Gauley, Jr.
790 Fehr Avenue
Schenectady, New York

November 29, 1968

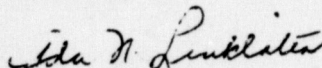
Dear Mr. Mc Gauley:

Policy 66 391 935

Our representative Mr. Smeallie has asked that we write you concerning ownership of this contract.

Our records indicate that the policy was issued with ownership vesting in Frederick F. Mc Gauley, Jr. and after his death, the surviving insured Lorraine A. Mc Gauley. Thus, under the terms of the contract you would have had complete incidence of ownership while the policy was in force.

Sincerely,



For
P. D. Husband, Cashier

AL:lb

EXHIBIT 1-A

SCHEDULE E
JOINTLY OWNED PROPERTY

1. Did the decedent, at the time of his death, own any property as a joint tenant or as a tenant by the entirety, with right of survivorship? ☒ Yes ☐ No
 If "Yes," state the name and address of each surviving cotenant.

NAME	ADDRESS (Number, street, city, State, and Postal ZIP code)
Frederick F. McGauley, Jr. (son)	790 Fehr Avenue Schenectady, New York 12309

Item No.	Description	Subsequent valuation date	Alternate value	Value at date of death
1	Brick and frame house with 2 car garage located on the southeast corner of Fehr Avenue and Central Parkway, in the 12th Ward of the City of Schenectady, N.Y., in a residential area known as "Park Estates". Lot app. 185' x 185'. Property is improved having street lighting, paved streets, city, sewer, water and public utilities and is convenient to schools, churches and shopping. Owned by decedent jointly with son, Frederick F. McGauley, Jr., with right of survivorship. Value as per appraisal attached		\$	\$ 45,000.00
2.	The Schenectady Trust Company, Savings Account, Book No. 11127, Name of decedent and/or Frederick F. McGauley (son)			32,093.37
3.	The Schenectady Savings Bank, Savings Account, Book No. 353,402, Name of decedent and/or Frederick F. McGauley (son)			13,435.52
4.	The Schenectady Trust Company, Checking account No. 4536402, Name of decedent and/or Frederick F. McGauley, son.			4,939.09
TOTAL (also enter under the Recapitulation, Schedule C):				\$ 95,467.95 ✓

(If more space is needed, insert additional sheets of same size)

EXHIBIT 1-A

SCHEDULE F
OTHER MISCELLANEOUS PROPERTY

1. Did the decedent, at the time of his death, own any interest in a copartnership or unincorporated business? ☐ Yes ☒ No
2. Did the decedent, at the time of his death, own any miscellaneous property not returnable under any other schedule? ☒ Yes ☐ No
3. Was there any insurance which the decedent owned on the life of another which is not included in the return as a part of the gross estate? ☐ Yes ☒ No
If "Yes," full details must be submitted under this schedule.
4. State whether the decedent's estate, his spouse, or any other person, has received, or will receive, any bonus or award as a result of the decedent's employment or his death. If "Yes," full details must be submitted under this schedule. ☐ Yes ☒ No

Item No.	Description	Subsequent valuation date	Alternate value	Value at date of death
1	Supplementary Contract No. 306614 of the Equitable Life Assurance Society of the United States, dated May 20, 1965, superseding its policy No. 9,240,935 upon the life of Fred F. McGauley in the face amount of \$10,000.00. By virtue of Supplementary Contract unpaid installments thereunder became payable to Frederick F. McGauley, her son, on death of decedent		\$	\$ 12,509.25
2.	Settlement Option dated April 22, 1965 under Policy No. 731905 of The Union Central Life Insurance Company upon life of Frederick F. McGauley-computed value of unpaid installments at date of death as per attached Form UC 2791			5,938.11
3.	Settlement Option dated April 22, 1965 under Policy No. 892599 of The Union Central Life Insurance Company upon life of Frederick F. McGauley-computed value of unpaid installments at date of death as per attached Form UC 2791			10,317.93
4.	Federal Income Tax refund for tax year 1967 received 5/28/68			3,430.56
5.	1966 Oldsmobile 98 Luxury Sedan as per copy of appraisal attached			2,800.00
6.	Household furniture-being the same property reported in Schedule F, item 12, of the Federal Estate Tax Return of Frederick F. McGauley, deceased, and valued upon the audit of said return dated 9/24/68 (Form L-191) AU:R:MW at			2,000.00
TOTAL (also enter under the Recapitulation, Schedule O)				\$

(If more space is needed, insert additional sheets of same size)

ESTATE OF LORRINE A. MCGAULEY

Schedule F-Page 17

EXHIBIT 1-A

SCHEDULE F (continued)

<u>Item No.</u>	<u>Description</u>	<u>Value at date of death</u>
7.	Clothing, personal effects and jewelry - estimated	\$ 3,200.00
8.	United States IRS - refund of overpayment of Federal Estate Tax upon estate of Frederick F. McGauley, deceased	<u>10,917.91</u>
Total Schedule F		\$51,113.76 ✓

EXHIBIT 1-A

THE UNION CENTRAL LIFE INSURANCE COMPANY
Cincinnati, Ohio

of Payment Under an Annuity Contract, Income Policy
or Settlement Option at the Death of a Payee

Policy 731905Decedent Lorraine A. McGauley Date of death Sept. 18, 1967Address of decedent 790 Fehr Ave., Schenectady, New York☒ Beneficiary under Settlement OptionAnnuity or effective date of Settlement Option April 22, 1965Payable in or form Payable in monthly installments for 20 years certain and life.

Right of commutation, proceeds from death

Beneficiary See below Relationship See belowAddress of beneficiary See below

Payment to beneficiary:

Single Sum - Amount of proceeds on deposit \$

Accrued interest \$

Single Sum - Commuted value of Annuity or
Installment Option \$

Single Sum - \$

For Estate Tax purposes the commuted value
of the remaining certain installments is \$ 5,938.11*

Details of settlement:

Payments of \$7.11 each due from 9-22-67 to 3-22-85 inclusive continued to Patricia
daughter, 1356 Baker Ave., Schenectady, New York
Payments of \$7.11 each due from 9-22-67 to 3-22-85 inclusive continued to Kathleen
daughter, 5208 Rowland Drive, Indianapolis, Indiana
Payments of \$7.12 each due from 9-22-67 to 3-22-85 inclusive continued to Nancy
daughter, 5929 Kimble Court, Falls Church, Va.
Payments of \$7.12 each due from 9-22-67 to 3-22-85 inclusive continued to Colleen
daughter, 6 Sherwood Lane, Burnt Hills, N. Y.
Payments of \$7.12 each due from 9-22-67 to 3-22-85 inclusive continued to Frederick
son, 790 Fehr. Ave., Schenectady, New York 12309

By: Charles T. Homer
Asst. MANAGER, BENEFIT DIVISION

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EXHIBIT 1-A

THE UNION CENTRAL LIFE INSURANCE COMPANY
Cincinnati, Ohio

Notice of Payment Under an Annuity Contract, Income Policy
or Settlement Option at the Death of a Payee

Policy 892599

Name of decedent Lorraine A. McGauley Date of death Sept. 18, 1967

Residence of decedent 790 Fehr Ave., Schenectady, New York

☐ Annuitant ☒ Beneficiary under Settlement Option

Date of issue of Annuity or effective date of Settlement Option April 22, 1965

Kind of Annuity or form
of Settlement Option Payable in monthly installments for 20 years certain and life,
without the right of commutation, proceeds from death

Name of beneficiary See below Relationship See below

Residence of beneficiary See below

Method of payment to beneficiary:

- () Single Sum - Amount of proceeds on deposit \$ _____
Accrued interest \$ _____
() Single Sum - Commuted value of Annuity or
Installment Option \$ _____
() Single Sum - \$ _____
() For Estate Tax purposes the commuted value
of the remaining certain installments is \$ 10,317.93 *

Other details of settlement:

no. payments of \$12.83 each due from 9-22-67 to 3-22-85 inclusive continued to Patricia
ughlin, daughter, 1356 Baker Ave., Schenectady, New York
no. payments of \$12.82 each due from 9-22-67 to 3-22-85 inclusive continued to Kathleen
iel, daughter, 5208 Rowland Drive, Indianapolis, Indiana
no. payments of \$12.82 each due from 9-22-67 to 3-22-85 inclusive continued to Nancy
illy, daughter, 5929 Kimble Court, Falls Church, Va.
no. payments of \$12.82 each due from 9-22-67 to 3-22-85 inclusive continued to Colleen
m, daughter, 6 Sherwood Lane, Burnt Hills, New York
no. payments of \$12.82 each due from 9-22-67 to 3-22-85 inclusive continued to Frederick
Gauley, son 790 Fehr Ave., Schenectady, New York 12309

to 10-20-67 3m

By: Charles T. Homer
Asst. MANAGER, BENEFIT DIVISION

Charles J. Homer

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EXHIBIT 1-A



QUEENSBURY MOTORS, INC.
QUAKER ROAD
GLENS FALLS, NEW YORK 12801
TELEPHONE RX. 3-8848

October 12, 1967

To Whom It May Concern:

This is to advise that the fair market value of the 1966 Oldsmobile 98 Luxury Sedan owned by the late Mrs. Frederick McCauley was \$2800.00 as of September 1967.

Very truly yours,

QUEENSBURY MOTORS, INC.

Carlton L. Barrette
Carlton L. Barrette

EXHIBIT 1-A

SCHEDULE G

TRANSFERS DURING DECEDENT'S LIFE

1. Did the decedent make any transfer described in the first paragraph (including the six subparagraphs) of the instructions for this schedule? ☒ Yes ☐ No

2a. Did the decedent, at any time, make a transfer (other than an outright transfer not in trust) of an amount of \$1,000 or more without an adequate and full consideration in money or money's worth, but not believed to be includible in the gross estate as indicated in the first paragraph (including the six subparagraphs) of the instructions for this schedule? ☐ Yes ☒ No
If "Yes," furnish the following information:

2b. Date	2c. Amount or value	2d. Character of transfer

3a. Did the decedent, within 3 years immediately preceding his death, make any transfer of his property without an adequate and full consideration in money or money's worth? ☒ Yes ☐ No

If "Yes," and the transfer was of an amount of \$1,000 or more, furnish the following information:

3b. Date	3c. Amount or value	3d. Character of transfer
See items 1, 2 and 3 of this Schedule		

3e. Motive which actuated decedent in making transfer

4. Were there in existence at the time of the decedent's death any trusts created by him during his lifetime? ☒ Yes ☐ No
See Item 1 of this Schedule

5. If a Federal gift tax return(s) was ever filed, state the year(s) covered and the Internal Revenue district in which filed.

Item No.	Description	Subsequent value less date	Alternate value	Value at date of death
1	By Trust Agreement made and dated February 9, 1967, a copy of which is hereto annexed, decedent created a revocable trust by transferring the securities therein mentioned to her son, Frederick F. McGauley, Jr., as Trustee, in trust to pay the income thereof to decedent for life and upon her death to pay the principal thereof to her said son. The corpus of said trust, as of date of death, consisted of: (a) 200 shs. American Can Co. Com. (NYSE) - unit value 57 5/16 (b) 2,926 shs. American Electric Power Co. Com. (NYSE) - unit value 36 5/8 (c) 1,800 shs. Bethlehem Steel Corp. Com. (NYSE) unit value 37 11/16 (d) 400 shs. C.I.T. Financial Corp., Com. *NYSE) unit value 33 1/8 Dividend of 40¢ share declared 8/24/67 payable 10/1/67 (e) 800 shs. Coca Cola Co., Com. (NYSE) unit value 117 9/16 Dividend of 52¢ share declared 8/7/67 payable 10/2/67	10/1/67 10/2/67	\$ 160.00 420.00	\$ 11,462.40 107,164.75 67,836.60 13,250.00 160.00 94,049.60 420.00
TOTAL (also enter under the Recapitulation, Schedule O)			\$	\$

(If more space is needed, insert additional sheets of same size)

ESTATE OF LORRAINE A. MCGAULEY

Schedule G - Page 19

EXHIBIT 1-A

SCHEDULE G (Continued)

Item No.	Description	Subsequent Valuation date	Value at date of death
1. (cont.)	(f) 173 shs. Columbia Gas System, Inc., Com. (NYSE) unit value 63 3/8		11,050.38
	(g) 300 shs. Consolidated Edison Co., N.Y., Com. (NYSE) unit value 34 1/8		10,237.50
	(h) 400 shs. Continental Baking Co., Com. (NYSE) unit value 39 5/8		15,850.00
	Dividend of 30¢ share declared 9/7/67 payable 10/1/67	10/1/67	120.00
	(i) 100 shs. E.I. DuPont de Nemours & Co., Com. (NYSE) unit value 166 5/8		16,622.50
	100 shs. still held - unit value 163.3750	16,337.50	
	(j) 400 shs. Equitable Gas Co. Com. (NYSE) unit value 37 1/2		15,000.00
	400 shs. still held - unit value 36.0625	14,425.00	
	(k) 200 shs. Federal National Mortgage Association Com. (NYSE) unit value 70 1/4		14,050.00
	(l) 600 shs. General Electric Co., Com. (NYSE) unit value 114 9/16		68,737.00
	Dividend of 65¢ share declared 9/15/67 payable 10/25/67	10/25/67	390.00
	(m) 686 shs. General Motors Corp., Com. 166 2/3 Par (NYSE) unit value 87 3/16		59,810.28
	(n) 300 shs. General Tele & Electrics Com. 333 1/3 Par (NYSE) unit value 46 1/16		13,818.60
	Dividend of 35¢ share declared 9/15/67 payable 10/25/67	10/25/67	105.00
	(o) 50 shs. Gulf Interstate Company Com. (OTC) unit value 14 3/8		718.75

EXHIBIT 1-A

SCHEDULE G (Continued)

<u>Item No.</u>	<u>Description</u>	<u>Subsequent Valuation date</u>	<u>Value at date of death</u>
1.	(p) 300 shs. McIntyre Porcupine Mines Ltd. Capital (NYSE) unit value 84 15/16		25,481.10
	(q) 840 shs. Panhandle Eastern Pipe Line Co., Com. (NYSE) unit value 35		29,400.00
	(r) 200 shs. Safeway Stores, Inc., Com. 166 2/3 Par (NYSE) unit value 24 11/16		4,937.40
	Dividend of 27 1/2 share declared 8/4/67 payable 9/30/67	9/30/67	55.00 55.00
	(s) 220 shs. Schenectady Trust Co., N.Y., Cap.(OTC) unit value 66 1/2		14,630.00
	Dividend of 45 share declared 9/12/67 payable 10/2/67	10/2/67	99.00 99.00
	(t) 1,259 shs. St. Regis Paper Co., Com.(NYSE) unit value 33 3/4		42,491.25
	(u) 1,440 shs. United Aircraft Com. (NYSE) unit value 70 11/16		101,798.28
	(v) 100 shs. Western Bancorporation Cap. (NYSE) unit value 31		3,100.00
	Dividend of 27 1/2 share declared 8/21/67 payable 9/29/67	9/29/67	27.50 27.50
	(w) 5 shs. Schenectady Industrial Corp. Cap. unlisted - no value		
	Total Item 1		\$742,872.89 ✓

EXHIBIT 1-A

SCHEDULE G (Continued)

<u>Item No.</u>	<u>Description</u>	<u>Value at date of death</u>
2.	On January 11, 1965 decedent transferred to her son, Frederick P. McGauley, Jr., as a gift, and thereafter duly filed with the District Director of Internal Revenue at Albany, N.Y., a Gift Tax Return thereon, certain securities at the cost value thereof, as follows:	
	(a) 50 shs. Allied Chemical Corp., unit value 51 3/8	\$ 2,598.50
	(b) 50 shs. Minnesota M & M Corp., unit value 58 3/4	2,799.74
	(c) 50 shs. Corn Products Co., unit value 55 3/8	2,037.50
	(d) 50 shs. Travelers Ins. Co., unit value 40 3/4	<u>2,969.19</u>
	Total Item 2	\$ 10,404.93
3.	On December 2, 1966 decedent transferred to her son, Frederick P. McGauley, Jr., as a gift, and thereafter duly filed with the District Director of Internal Revenue at Albany, N.Y., a Gift Tax Return thereon, at the then market value thereof, as follows:	
	(a) 100 shs. United Aircraft Corp., unit value 80 3/4	\$ 8,075.00
	(b) 200 shs. General Motors Corp., unit value 97 1/8	<u>19,425.00</u>
	Total Item 3	27,500.00
	Total Schedule G	<u>\$ 780,777.82</u>

EXHIBIT 1-A

THIS AGREEMENT made, the 9th day of February, One Thousand Nine Hundred Sixty-seven, between LORRAINE A. McGAULEY, residing at 790 Fehr Avenue, Schenectady, New York, (hereinafter called the "Grantor"), and FREDERICK F. McGAULEY, Jr., also residing at 790 Fehr Avenue, Schenectady, New York, (hereinafter called the "Trustee"),

WITNESSETH:

WHEREAS, the Grantor desires to create a trust of the property described in Schedule A hereto annexed, together with such monies, securities and other assets as the Trustee may hereafter at any time hold or acquire hereunder, being hereinafter referred to collectively as the "trust estate"), for the purposes hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the Grantor agrees to execute such further instruments as shall be necessary to vest the Trustee with full title to the property described in the said Schedule A, and the Trustee agrees to hold the trust estate, IN TRUST, NEVERTHELESS, for the following uses and purposes and subject to the terms and conditions hereinafter set forth:

FIRST: During the Grantor's life and while the trust estate shall include cash, securities or other property productive of income, the Trustee shall manage, invest and reinvest the trust estate, shall collect the income thereof, and shall pay over the net income to the Grantor for life, or shall apply the same for her benefit, in convenient installments but at least annually. In addition, the Trustee is hereby

EXHIBIT 1-A

authorized, at any time or from time to time, in his absolute discretion (a) to pay to the Grantor for her care, support, maintenance, including medical and hospital expenses, or general welfare, or to apply for any such purpose, any part of the trust estate and (b) to pay to, or on behalf of, the Grantor, or the Grantor's estate, the amount of any and all taxes, both income and inheritance which may be due.

Upon the Grantor's death, the Trustee shall dispose of the trust estate as follows:

A. The principal of the trust estate, together with any accumulated income, shall be transferred, conveyed and paid over to my son, FREDERICK A. McGAULEY, Jr.

SECOND: During the life of this trust, the Trustee must employ a bank or trust company, as custodian of the assets, the initial custodian of this trust shall be THE CHASE MANHATTAN BANK (N.A.), located at One Chase Manhattan Plaza, New York, New York. And if at any time in the future, the Trustee herein desires to substitute another corporate custodian, he may so designate any other bank or trust company in the State of New York, for such purpose, upon giving 30 days written notice thereof to the initial custodian referred to herein.

THIRD: The Grantor herein reserves the right, from time to time, by instrument in writing delivered to the Trustee, to amend or revoke this trust in whole or in part, but the duties and liabilities of the Trustee shall not be substantially increased without his consent.

FOURTH: Without limitation of the powers conferred upon it by statute or general rules of law, the Trustee is specifically authorized and empowered:

EXHIBIT 1-A

(1) To retain and hold any and all of the securities described in SCHEDULE "A" annexed hereto, and any securities or other property which may be added to the trust estate, so long as the Trustee in his absolute discretion shall deem it advisable to do so.

(2) To invest and reinvest any funds of the trust estate in such stocks, bonds, debentures, notes or other securities or property, real or personal, as in his uncontrolled discretion he shall deem advisable, the intention hereof being to give the broadest investment powers and discretion to the Trustee;

(3) To sell, convey or dispose of any property, whether real or personal at any time forming a part of the trust estate, for cash or on credit, in such manner and on such terms and conditions as he may deem best, and no person dealing with the Trustee shall be bound to see to the application of moneys paid;

(4) In general, to exercise any and all rights or powers in the management of the trust estate which any individual could exercise in the management of property owned in his own right.

(5) To execute and deliver any and all instruments in writing which he may deem advisable to carry out any of the foregoing powers. No party to any such instrument in writing signed by the Trustee shall be obliged to inquire into its validity.

FIFTH: The trust estate may be increased from time to time by the addition of such cash or property as may be added to it by the Grantor or by any other person with the consent of the Trustee, and the Trustee shall receive, hold, manage, invest and reinvest any such cash and property as above specified.

SIXTH: The Grantor declares that this Agreement shall be construed under and regulated by the laws of the State of New York

EXHIBIT 1-A

and that the validity and effect of this Agreement shall be determined in accordance with the laws of that State and that the Trustee shall not be required to account in any court other than one of the courts of that State.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

Lorraine A. McGauley
Grantor

Frederick F. McGauley, Jr.
Trustee

State of New York)
 : ss.
County of New York)

On the 9th day of February, 1967, before me personally appeared LORRAINE A. McGAULEY and FREDERICK F. McGAULEY, Jr., to me known and known to me to be the individuals described in and who executed the foregoing instrument, and they duly acknowledged to me that they executed the same.

John W. Ansell

JOHN W. ANSELL
NOTARY PUBLIC, State of New York
No. 30-5787300
Qualified in Nassau County
Cert. filed with New York Co. Clerk
Term Expires March 30, 1968

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EXHIBIT 1-A

SCHEDULE H POWERS OF APPOINTMENT

1. At the time of death, possess a general power of appointment created after October 21, 1942? ☐ Yes ☒ No

1b. On or before such date? ☐ Yes ☒ No

2. At any time, by will or otherwise, exercise or release (to any person) a general power of appointment created after October 21, 1942? ☐ Yes ☒ No

2b. On or before such date? ☐ Yes ☒ No

Were there in existence at the time of the decedent's death any trusts not created by him under which he possessed any power, beneficial interest, or trusteeship? ☐ Yes ☐ No

Description	Subsequent valuation date	Alternate value	Value at date of death
None		\$	\$
TOTAL (also enter under the Recapitulation, Schedule O) (If more space is needed, insert additional sheets of same size)		\$	\$ 0 ✓

SCHEDULE I ANNUITIES

1. Immediately before his death, receiving an annuity as described in instructions? ☐ Yes ☒ No

2. Annuity paid pursuant to an approved plan as described in instructions? ☐ Yes ☐ No

1b. If "Yes," state the ratio of the decedent's contribution to the total purchase price of the annuity.

2. If decedent was employed at the time of his death, did an annuity or other payment as described in paragraph 3(d) of the instructions become payable to any beneficiary by reason of the beneficiary's having survived the decedent? ☐ Yes ☐ No

2b. If "Yes," state the ratio of the decedent's contribution to the total purchase price of the annuity.

Description	Subsequent valuation date	Alternate value	Value at date of death
None		\$	\$
TOTAL (also enter under the Recapitulation, Schedule O) (If more space is needed, insert additional sheets of same size)		\$	\$ 0 ✓

ESTATE OF LORRAINE A. MCGAULEY

Schedules H and I—Page 21

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EXHIBIT 1-A

DEDUCTIONS

SCHEDULE J

FUNERAL EXPENSES AND EXPENSES INCURRED IN
ADMINISTERING PROPERTY SUBJECT TO CLAIMS

NOTE.—Do not list on this schedule expenses of administering property not subject to claims. In connection with such expenses, see Schedule L.

If executors' commissions, attorneys' fees, etc., are claimed and allowed as a deduction for estate tax purposes, they are not allowable as a deduction in computing the taxable income of the estate for Federal income tax purposes.

Line No.	Description	Amount
A. Funeral expenses:		
	Frederick H. Glock Funeral Chapel, Inc.	\$ 1,729.50
	Chas. N. Gardner & Sons - monument inscription	215.00
	Felthousen's Flowers	112.00
	Total.....	\$ 2,056.50
B. Administration expenses:		
1	Executors' commissions—amount estimated/agreed upon/paid. (Strike out words not applicable).....and disbursements.....	---
2	Attorneys' fees—amount estimated/..... (Strike out words not applicable).....	16,000.00
3	Miscellaneous expenses:	
	Schenectady Trust Company -- Safe Deposit Box rental	12.24
	Total miscellaneous expenses.....	12.24
TOTAL (also enter under the Recapitulation, Schedule O)		\$ 18,068.74

(If more space is needed, insert additional sheets of same size)

OF LORRAINE A. MCGAULEY

Schedule J—Page 23

EXHIBIT 1-A

SCHEDULE K

DEBTS OF DECEDENT AND MORTGAGES AND LIENS

Line	Debts of Decedent—Creditor and nature of claim, and allowable death taxes	Amount
1	Mrs. A. J. Lloyd - nurse	\$ 50.00
	Whitman Apothecary - drugs	76.00
	Joseph & Rapp, Inc. - laboratory	6.50
	City of Schenectady - 3rd quarter 1967 R/E taxes, premises	
	1967 Schenectady Co., \$579.49 - apportioned 7/1/67 to 9/18/67	
	(2 months 18 days)	502.28
	American Historical	56.10
	Mrs. Henry P. Giles - portrait contract	100.00
	Joseph G. Deiscoll, M.D., - professional services	500.00
	State of New York, - Est. bal. 1967 income tax	171.40
7	U.S. IRS - Est. bal. 1967 Federal Income tax	735.65
10	State of New York - Int. on 1967 income tax	2.50
1	U.S. IRS - Bal. 1967 Federal Income tax	45.83
2	The Chase Manhattan Bank, N.A. - semi-annual custody fee	
	(\$375.00) adjusted 6/1/67 to 9/18/67	224.94
3	Thomas J. Kelly, CPA, services in re audit Federal Estate	
	of Frederick F. McGauley, estimated	2,500.00
TOTAL (also enter under the Recapitulation, Schedule O)		\$4,971.20
Line	Mortgages and Liens—Description	Amount
	None	\$
TOTAL (also enter under the Recapitulation, Schedule O)		\$ 0

(If more space is needed, insert additional sheets of same size)

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EXHIBIT 1-A

SCHEDULE L

NET LOSSES DURING ADMINISTRATION AND EXPENSES INCURRED IN ADMINISTERING PROPERTY NOT SUBJECT TO CLAIMS

Net losses during administration	Amount
None	\$
TOTAL (also enter under the Recapitulation, Schedule O)	\$ 0 ✓
incurred in administering property not subject to claims (Indicate whether estimated, agreed upon, or paid.)	Amount
None	\$
TOTAL (also enter under the Recapitulation, Schedule O)	\$ 0 ✓

(If more space is needed, insert additional sheets of same size)

ESTATE OF

LORAIN A. McGAULEY

Schedule L—Page 27

EXHIBIT 1-A

SCHEDULE M

QUESTIONS, ETC., TO SURVIVING SPOUSE (MARITAL DEDUCTION)

1. If the decedent died testate, the person or persons filing the return should answer the following questions. Only question 4 should be answered if the decedent died intestate. If the answer to any question is "Yes," full details should be submitted with the return.

2. Was any action taken to contest the will or any provision thereof affecting any property interest listed on this schedule or for construction of the will or any such provision? ☐ Yes ☒ No
3. Did the surviving spouse the right to declare an election between (i) the provisions made in his or her favor by the will and (ii) dower, curtesy, or a statutory interest? ☐ Yes ☒ No
4. If the answer to question 2a is "Yes," has the surviving spouse renounced the will and elected to take under the will, dower, curtesy, or a statutory interest? ☐ Yes ☐ No
5. If the answer to question 2a is "Yes," has the surviving spouse elected to take under the will, dower, curtesy, or a statutory interest? ☐ Yes ☒ No
6. According to the information and belief of the person or persons filing the return, is any action described under question 1 described or contemplated? ☐ Yes ☒ No
7. According to the information and belief of such person or persons, has any person other than the surviving spouse asserted (or is such assertion contemplated) a right to any property interest listed on this schedule, other than as provided in questions 1 or 3? ☐ Yes ☒ No

Description of property interests passing to surviving spouse	Value
None	\$

(a) Total estate tax payable out of above-listed property interests \$

(b) Total gift taxes payable out of above-listed property interests \$

Total of (a) and (b) \$

Net value of above-listed property interests (also enter under the Recapitulation, Schedule O) \$

(If more space is needed, insert additional sheets of same size)

PREPARED BY **GRAINE A. McGAULEY**

Schedule M—Page 29

EXHIBIT 1-A

SCHEDULE N
WRITABLE, PUBLIC, AND SIMILAR GIFTS AND BEQUESTS

- (a) Has the donor or donor's estate attempted to have interpreted or to contest the will or any provision thereof affecting the distribution of the property included in this schedule? ☐ Yes ☒ No
- (b) According to the information and belief of the person or persons filing the return, is any such action designed or contemplated? ☐ Yes ☒ No

Line No.	Name and address of beneficiary	Character of institution	Amount
1	None		\$
a) F ... payable out of above-listed property interests \$ b) C ... payable out of above-listed property interests \$ c) D ... d) E ... e) F ... f) G ... g) H ... h) I ... i) J ... j) K ... k) L ... l) M ... m) N ... n) O ... o) P ... p) Q ... q) R ... r) S ... s) T ... t) U ... u) V ... v) W ... w) X ... x) Y ... y) Z ... aa) ... ab) ... ac) ... ad) ... ae) ... af) ... ag) ... ah) ... ai) ... aj) ... ak) ... al) ... am) ... an) ... ao) ... ap) ... aq) ... ar) ... as) ... at) ... au) ... av) ... aw) ... ax) ... ay) ... az) ... ba) ... bb) ... bc) ... bd) ... be) ... bf) ... bg) ... bh) ... bi) ... bj) ... bk) ... bl) ... bm) ... bn) ... bo) ... bp) ... bq) ... br) ... bs) ... bt) ... bu) ... bv) ... bw) ... bx) ... by) ... bz) ... ca) ... cb) ... cc) ... cd) ... ce) ... cf) ... cg) ... ch) ... ci) ... cj) ... ck) ... cl) ... cm) ... cn) ... co) ... cp) ... cq) ... cr) ... cs) ... ct) ... cu) ... cv) ... cw) ... cx) ... cy) ... cz) ... da) ... db) ... dc) ... dd) ... de) ... df) ... dg) ... dh) ... di) ... dj) ... dk) ... dl) ... dm) ... dn) ... do) ... dp) ... dq) ... dr) ... ds) ... dt) ... du) ... dv) ... dw) ... dx) ... dy) ... dz) ... ea) ... eb) ... ec) ... ed) ... ee) ... ef) ... eg) ... eh) ... ei) ... ej) ... ek) ... el) ... em) ... en) ... eo) ... ep) ... eq) ... er) ... es) ... et) ... eu) ... ev) ... ew) ... ex) ... ey) ... ez) ... fa) ... fb) ... fc) ... fd) ... fe) ... ff) ... fg) ... fh) ... fi) ... fj) ... fk) ... fl) ... fm) ... fn) ... fo) ... fp) ... fq) ... fr) ... fs) ... ft) ... fu) ... fv) ... fw) ... fx) ... fy) ... fz) ... ga) ... gb) ... gc) ... gd) ... ge) ... gf) ... gg) ... gh) ... gi) ... gj) ... gk) ... gl) ... gm) ... gn) ... go) ... gp) ... gq) ... gr) ... gs) ... gt) ... gu) ... gv) ... gw) ... gx) ... gy) ... gz) ... ha) ... hb) ... hc) ... hd) ... he) ... hf) ... hg) ... hh) ... hi) ... hj) ... hk) ... hl) ... hm) ... hn) ... ho) ... hp) ... hq) ... hr) ... hs) ... ht) ... hu) ... hv) ... hw) ... hx) ... hy) ... hz) ... ia) ... ib) ... ic) ... id) ... ie) ... if) ... ig) ... ih) ... ii) ... ij) ... ik) ... il) ... im) ... in) ... io) ... ip) ... iq) ... ir) ... is) ... it) ... iu) ... iv) ... iw) ... ix) ... iy) ... iz) ... ja) ... jb) ... jc) ... jd) ... je) ... jf) ... jg) ... jh) ... ji) ... jj) ... jk) ... jl) ... jm) ... jn) ... jo) ... jp) ... jq) ... jr) ... js) ... jt) ... ju) ... jv) ... jw) ... jx) ... jy) ... jz) ... ka) ... kb) ... kc) ... kd) ... ke) ... kf) ... kg) ... kh) ... ki) ... kj) ... kk) ... kl) ... km) ... kn) ... ko) ... kp) ... kq) ... kr) ... ks) ... kt) ... ku) ... kv) ... kw) ... kx) ... ky) ... kz) ... la) ... lb) ... lc) ... ld) ... le) ... lf) ... lg) ... lh) ... li) ... lj) ... lk) ... ll) ... lm) ... ln) ... lo) ... lp) ... lq) ... lr) ... ls) ... lt) ... lu) ... lv) ... lw) ... lx) ... ly) ... lz) ... ma) ... mb) ... mc) ... md) ... me) ... mf) ... mg) ... mh) ... mi) ... mj) ... mk) ... ml) ... mm) ... mn) ... mo) ... mp) ... mq) ... mr) ... ms) ... mt) ... mu) ... mv) ... mw) ... mx) ... my) ... mz) ... na) ... nb) ... nc) ... nd) ... ne) ... nf) ... ng) ... nh) ... ni) ... nj) ... nk) ... nl) ... nm) ... nn) ... no) ... np) ... nq) ... nr) ... ns) ... nt) ... nu) ... nv) ... nw) ... nx) ... ny) ... nz) ... oa) ... ob) ... oc) ... od) ... oe) ... of) ... og) ... oh) ... oi) ... oj) ... ok) ... ol) ... om) ... on) ... oo) ... op) ... oq) ... or) ... os) ... ot) ... ou) ... ov) ... ow) ... ox) ... oy) ... oz) ... pa) ... pb) ... pc) ... pd) ... pe) ... pf) ... pg) ... ph) ... pi) ... pj) ... pk) ... pl) ... pm) ... pn) ... po) ... pp) ... pq) ... pr) ... ps) ... pt) ... pu) ... pv) ... pw) ... px) ... py) ... pz) ... qa) ... qb) ... qc) ... qd) ... qe) ... qf) ... qg) ... qh) ... qi) ... qj) ... qk) ... ql) ... qm) ... qn) ... qo) ... qp) ... qq) ... qr) ... qs) ... qt) ... qu) ... qv) ... qw) ... qx) ... qy) ... qz) ... ra) ... rb) ... rc) ... rd) ... re) ... rf) ... rg) ... rh) ... ri) ... rj) ... rk) ... rl) ... rm) ... rn) ... ro) ... rp) ... rq) ... rr) ... rs) ... rt) ... ru) ... rv) ... rw) ... rx) ... ry) ... rz) ... sa) ... sb) ... sc) ... sd) ... se) ... sf) ... sg) ... sh) ... si) ... sj) ... sk) ... sl) ... sm) ... sn) ... so) ... sp) ... sq) ... sr) ... ss) ... st) ... su) ... sv) ... sw) ... sx) ... sy) ... sz) ... ta) ... tb) ... tc) ... td) ... te) ... tf) ... tg) ... th) ... ti) ... tj) ... tk) ... tl) ... tm) ... tn) ... to) ... tp) ... tq) ... tr) ... ts) ... tt) ... tu) ... tv) ... tw) ... tx) ... ty) ... tz) ... ua) ... ub) ... uc) ... ud) ... ue) ... uf) ... ug) ... uh) ... ui) ... uj) ... uk) ... ul) ... um) ... un) ... uo) ... up) ... uq) ... ur) ... us) ... ut) ... uu) ... uv) ... uw) ... ux) ... uy) ... uz) ... va) ... vb) ... vc) ... vd) ... ve) ... vf) ... vg) ... vh) ... vi) ... vj) ... vk) ... vl) ... vm) ... vn) ... vo) ... vp) ... vq) ... vr) ... vs) ... vt) ... vu) ... vv) ... vw) ... vx) ... vy) ... vz) ... wa) ... wb) ... wc) ... wd) ... we) ... wf) ... wg) ... wh) ... wi) ... wj) ... wk) ... wl) ... wm) ... wn) ... wo) ... wp) ... wq) ... wr) ... ws) ... wt) ... wu) ... wv) ... ww) ... wx) ... wy) ... wz) ... xa) ... xb) ... xc) ... xd) ... xe) ... xf) ... xg) ... xh) ... xi) ... xj) ... xk) ... xl) ... xm) ... xn) ... xo) ... xp) ... xq) ... xr) ... xs) ... xt) ... xu) ... xv) ... xw) ... xx) ... xy) ... xz) ... ya) ... yb) ... yc) ... yd) ... ye) ... yf) ... yg) ... yh) ... yi) ... yj) ... yk) ... yl) ... ym) ... yn) ... yo) ... yp) ... yq) ... yr) ... ys) ... yt) ... yu) ... yv) ... yw) ... yx) ... yy) ... yz) ... za) ... zb) ... zc) ... zd) ... ze) ... zf) ... zg) ... zh) ... zi) ... zj) ... zk) ... zl) ... zm) ... zn) ... zo) ... zp) ... zq) ... zr) ... zs) ... zt) ... zu) ... zv) ... zw) ... zx) ... zy) ... zz) ...			

(If more space is needed, insert additional sheets of same size)

McGADLEY

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EXHIBIT 1-A

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**SCHEDULE O
RECAPITULATION**

Item	Gross estate	Alternate value	Value at date of death
A Real estate			0 ✓
B Stocks and bonds			0 ✓
C Motor vehicles, etc.			0 ✓
D Life insurance			0 ✓
E Jointly owned property			95,467.98 ✓
F Other property			51,113.76 ✓
G Transfers during decedent's life			780,777.82 ✓
H Charitable contributions			0 ✓
I Total			927,359.56 ✓
Deductions		Amount	
Expenses incurred in administering property subject to claims		\$18,068.74 ✓	
		4,971.20 ✓	
		23,039.94 ✓	
Total amount of deductions from item 4 (see note 7)			
J Total		0 ✓	
K Total		0 ✓	
L Total			23,039.94 ✓
M Total			904,319.62 ✓
N Total			0 ✓
TOTAL ALLOWABLE DEDUCTIONS, except exemption credits of lines 8, 11, and 12			23,039.94

Note.—See paragraph 1 of the instructions.

Note.—If the decedent and his surviving spouse at no time held property as community property, if property was ever held as community property, compute the "Adjusted gross estate" (item 10) in accordance with the instructions and example on page 32, and attach an additional sheet showing such computation.

LORRAINE

McGAULEY

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EXHIBIT 1-A

SCHEDULE P

TAXABLE ESTATE—RESIDENT OR CITIZEN

This Schedule Should be Used only for the Estate of a Resident or Citizen of the United States

1. Total estate	927,359.56
2. Deductible deduction	\$23,039.94
3. Exemption	60,000.00
4. Total deduction plus exemption	83,039.94
5. Taxable estate (Item 1 minus Item 4)	\$ 844,319.62

SCHEDULE Q

TAXABLE ESTATE—NONRESIDENT NOT A CITIZEN OF THE UNITED STATES

Instructions. This Schedule should be used only for the estate of a nonresident not a citizen of the United States. See instructions under "Deduction of deduction expenses, claims, etc." on page 39. See also instructions under "Exemption" on page 39 for amount of exemption and names of countries, the estates of whose residents qualify for the "prorated exemption." If decedent was domiciled in Canada and died after December 31, 1955, see "Convention with Canada" on page 39 regarding special exemption. If decedent was domiciled in Japan or Greece and was not a citizen of the United States, see "Convention with Japan" on page 39 regarding special exemption. If decedent was domiciled in Japan or Greece and was not a citizen of the United States, (If the "prorated exemption" is claimed under the convention, the numerator of the fraction set forth in item 7 is the value of the property situated in the United States and subject to estate tax by both Japan and the United States.) The value to be entered for item 2 includes real property situated outside of the United States to be included in the gross estate by General Instruction J, page 4.

1. Value of estate in the United States (Schedules A, B, C, D, E, F, G, H, and I)	\$
2. Value of estate outside the United States (must be supported by proof described in instructions under "Deduction of deduction expenses, claims, etc." on page 39)	\$
3. Value of estate wherever situated (Item 1 plus Item 2)	\$
4. Value of estate in the United States (Schedules J, K, and L)	\$
5. Value of estate in the United States (Schedules J, K, and L (that proportion of item 4 that item 1 bears to item 3))	\$
6. Gifts and bequests (Schedule N)	\$
7. Qualifying for "prorated exemption," use \$2,000 (the greater)	\$
8. Item 5 plus Items 6 and 7	\$
9. Item 8	\$

SCHEDULE R

CREDIT FOR TAX ON PRIOR TRANSFERS

1. Name of decedent	McGAULEY
2. Date of transferor's death	April 22, 1965
3. Address of decedent	Schenectady, New York

COMPUTATION OF THE CREDIT

1. DECEDENT'S TAX ON PRIOR TRANSFERS	\$ 234,202.68
2. Value of transferor's estate computed in accordance with instructions for item 2)	\$ 234,202.68
3. Value of transferor's estate adjusted in accordance with instructions for item 3)	\$ 57,288.14
4. Value of transferor's estate tax on prior transfers (proportion of item 3 which item 1 bears to item 2)	\$ 57,288.14
5. TRANSFEREE'S TAX ON PRIOR TRANSFERS	\$ 240,256.35
6. Value of transferor's estate without regard to credit allowed under this schedule	\$ 693,156.88
7. Value of transferor's estate computed in accordance with instructions for item 7)	\$ 83,039.94
8. Value of transferor's estate (Item 6 minus Item 7)	\$ 610,116.94
9. Value of transferor's estate (Item 8 minus Item 9)	\$ 167,436.25
10. Value of transferor's estate (Item 5 minus Item 9)	\$ 72,820.10
11. NET DEBIT TO ESTATE AVAILABLE	\$ 57,288.14
12. Value of transferor's estate (Item 11)	\$ 45,830.51

McGAULEY

Schedule P, Q, and R—Page 35

EXHIBIT 1-A

INSTRUCTIONS FOR SCHEDULE S—Continued

(b) Computation of credit in cases where property is situated outside both countries or deemed situated within both countries.—In such cases consult the appropriate treaty for details.

3. Example of computation of credit under the Statute.—The decedent was a citizen of, and domiciled in, the United States at the time of his death. The gross estate consisted of real property in M country valued at \$40,000; stocks of United States corporations, \$40,000; bonds of corporations organized under the laws of M country, \$45,000; and stocks of corporations organized under the laws of M country, \$75,000. On the date of death, all of the stock and bond certificates were in a bank vault in the United States. Debts and administration expenses total \$20,000. The M country real property valued at \$40,000 and \$10,000 of the stocks of M country corporations passed to the decedent's surviving spouse and the latter items qualified for and were allowed as a marital deduction. The amount of the gross Federal estate tax less credit for State inheritance taxes is \$25,820. The amount of the M country inheritance tax imposed on the widow's inheritance of \$70,000 is \$21,000. The value of the daughter's inheritance is \$45,000, consisting entirely of stocks of M country corporations. The amount of the M country inheritance tax imposed on the daughter's inheritance is \$19,500. M country did not impose

inheritance tax on the bonds issued by the M country corporations.

Schedule S is filled out as follows:

1. Amount of estate, inheritance, legacy and succession taxes imposed in the above country attributable to property situated in that country, and subjected to such taxes, and included in the gross estate (as defined by statute).....	\$40,500.00
2. Value of the gross estate (adjusted).....	\$200,000.00
3. Value of property situated in that country, and subjected to death taxes imposed in that country, and included in the gross estate (adjusted).....	\$65,000.00
4. Federal estate tax before allowance of credit for foreign death taxes.....	\$25,820.00
5. Amount of Federal estate tax attributable to property specified at item 3 (proportion of item 4 that item 3 bears to item 2).....	\$8,891.50
6. Credit for death taxes imposed in the above country (item 1 or item 5, whichever is the smaller).....	\$8,891.50

SCHEDULE S

CREDIT FOR FOREIGN DEATH TAXES

List all of the foreign countries to which death taxes have been paid, credit for the payment of which is claimed on this return _____

If credit is claimed for death taxes paid to more than one foreign country, compute the credit for taxes paid to one country on this sheet and use a separate copy of Schedule S for each of the other countries. The copies of Schedule S on which the additional computations are made should be attached hereto.

The credit computed on this sheet is for _____

(Name of death tax or taxes)

Imposed in _____

(Name of country)

Credit is computed under the _____

(Insert "local" or "statute")

COMPUTATION OF THE CREDIT

(All amounts and values shown hereunder must be entered in United States money)

1. Amount of estate, inheritance, legacy and succession taxes imposed in the above country attributable to property situated in that country, and subjected to such taxes, and included in the gross estate (as defined by statute).... \$.....
2. Value of the gross estate (adjusted, if necessary, in accordance with instructions for item 2)..... \$.....
3. Value of property situated in that country, and subjected to death taxes imposed in that country, and included in the gross estate (adjusted, if necessary, in accordance with instructions for item 3)..... \$.....
4. Federal estate tax before allowance of credit for foreign death taxes..... \$.....
5. Amount of Federal estate tax attributable to property specified at item 3 (proportion of item 4 that item 3 bears to item 2)..... \$.....
6. Credit for death taxes imposed in the above country (item 1 or item 5, whichever is the smaller)..... \$.....

ESTATE OF LORRAINE A. McGAULEY

Schedule S—Page 17

EXHIBIT 1-A

DECLARATION

I declare that this return, including any accompanying statements, has been examined by me, and I believe, a true, correct, and complete return, made in good faith pursuant to the Internal Revenue Code.

Frederick P. McGauley

(Signature of executor, administrator, etc.)

Beneficiary

790 Fehr Avenue,

(Address)

Schenectady, New York

STATEMENT OF ATTORNEY OR AGENT PREPARING RETURN

I, the undersigned, declare that I prepared this return for the person or persons whose signature(s) appear(s) above including any accompanying schedules and statements, is, to the best of my knowledge and belief, a true, correct return based on all the information relating to the matters required to be reported in this return of which I have any knowledge.

Thomas A. Sully

(Signature of preparer)

(Signature of preparer (individual or firm) other than executor, administrator, etc.)

60 East 42nd St.,

New York, N.Y. 10017

Phone: 867-5353

TABLE B

ESTATE TAX

Tax on amount in column (1)	Rate of tax on excess over amount in column (1)
(2)	(3)
	(Percent)
0	0
\$100	7
500	11
1,000	14
3,000	18
4,800	22
7,000	25
9,800	28
20,700	30
65,700	32
145,700	35
223,200	37
325,700	39
423,200	42
528,200	45
753,200	49
998,200	53
1,263,200	56
1,543,200	59
1,838,200	63
2,148,200	67
2,473,200	70
2,813,200	73
3,168,200	76
3,538,200	77

COMPUTATION OF MAXIMUM CREDIT FOR STATE DEATH TAXES

Taxable estate equal to or more than—	Taxable estate less than—	Credit on amount in column (1)	Rate of credit on excess over amount in column (1)
(1)	(2)	(3)	(4)
			(Percent)
0	\$40,000	0	None
\$40,000	90,000	0	0.8
90,000	140,000	\$400	1.6
140,000	240,000	1,200	2.4
240,000	440,000	2,600	3.2
440,000	640,000	10,000	4.0
640,000	840,000	18,000	4.8
840,000	1,040,000	27,800	5.6
1,040,000	1,240,000	38,800	6.4
1,240,000	2,040,000	70,800	7.2
2,040,000	2,540,000	108,800	8.0
2,540,000	3,040,000	146,800	8.8
3,040,000	3,540,000	190,800	9.6
3,540,000	4,040,000	238,800	10.4
4,040,000	5,040,000	290,800	11.2
5,040,000	6,040,000	402,800	12.0
6,040,000	7,040,000	522,800	12.8
7,040,000	8,040,000	650,800	13.6
8,040,000	9,040,000	786,800	14.4
9,040,000	10,040,000	930,800	15.2
10,040,000	-----	1,082,800	16.0

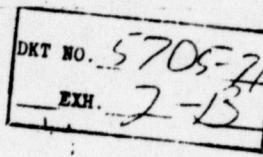
ESTATE OF LORRAINE A. MCGAULEY

EXHIBIT 2-B.

2-B

LAST WILL AND TESTAMENT

or

FRANK F. MC GAULEY

I, FRANK F. MC GAULEY, now residing at No. 790 Four Avenue, in the City of Schenectady, County of Schenectady and State of New York, being of sound mind and memory, and being mindful of the uncertainties of this life, do hereby make, publish and declare this instrument ONLY as and for my LAST WILL AND TESTAMENT, in manner following, that is to say:

FIRST: I hereby order and direct my Executors hereinafter named to pay and discharge all my just debts, funeral and testamentary expenses as soon after my decease as may be practicable.

SECOND: I hereby give, devise and bequeath all my real and personal property, and all my estate of which I may be seized and possessed, and to which I may be entitled at the time of my death, wheresoever the same may be located, to my Wife, Doctor Lorraine A. Mc Gauley, absolutely, outright and forever.

THIRD: In the event that my said Wife, Doctor Lorraine A. Mc Gauley, pre-deceases me, then I give, devise and bequeath all my real and personal property of every kind, name and nature, wheresoever the same may be located or situated at the time of my death, and/or to which I may be entitled, to my Four (4) Daughters and to my One (1) Son, namely - To Mrs. Patricia Mc Laughlin, now residing at 1356 Baker Avenue, Schenectady, New York; Mrs. Kathleen Michael, now residing at 3366 Kessler Boulevard, Indianapolis, Indiana; Mrs. Nancy O'Reilly, now residing at 1159 Kimble Court, Falls Church, Virginia; Mrs. Colleen Patten, now residing at 6 Sherwood Lane, Burnt Hills,

Page 1.

A. F. Mc Gauley

EXHIBIT 2-B

Saratoga County, New York, and Frederick Francis Mc Gauley, now residing at 790 Fehr Avenue, Schenectady, New York, in equal shares, absolutely, outright and forever.

FOURTH: In the event that any one of my five (5) children above enumerated, die before my death, leaving children, then I order and direct, and I do hereby give, devise and bequeath to the child or children of such deceased parent, the share of my estate which his or her parent would have received if living at the time of my death, said devise and bequest to be divided equally among said children, share and share alike, absolutely, outright and forever.

FIFTH: In the event that any of my said five (5) children die leaving no child or children, then I order and direct, and I do hereby give, devise and bequeath the share or shares which said children would have received or taken had they been living at the time of my death, to be divided equally, share and share alike, absolutely, outright and forever, among my children living at the time of my decease.

REAL PROPERTY

SIXTH: (a) On the date of this, my Last Will and Testament, my said wife, Doctor Lorraine A. Mc Gauley, and myself, own as Tenants by the Entirety, the real property now known and designated as No. 790 Fehr Avenue, Schenectady, New York, which is now our home.

PERSONAL PROPERTY

(b) The personal property, now owned and held in the names of my said wife, Doctor Lorraine A. Mc Gauley, and myself, consists of stocks, bonds, and securities now in the possession of Merrill, Lynch, Pierce, Fenner and Smith, Inc.,

EXHIBIT 2-B

of 90 State Street, Albany, New York, as our Investment Agents only, the absolute ownership being vested in my said wife and myself.

SEVENTH: I hereby authorize and empower my Executors hereinafter named to sell, mortgage or lease any and all of my property wheresoever the same may be located or situated at the time of my decease, and to sign, execute and deliver all deeds, mortgages, leases or any other legal documents to accomplish the powers vested in my said Executors pursuant to this Paragraph of this my Last will and Testament.

EIGHTH: I hereby cancel, revoke and annul any and all former Last Wills and Testaments by me at any time or place heretofore made, and render them void and of no legal effect whatsoever, and I do hereby solemnly publish and declare this instrument and paper writing ONLY to be my LAST WILL AND TESTAMENT.

NINTH: All the rest, residue and remainder of my property and estate, real, personal or mixed, wheresoever the same may be located or situated at the time of my decease, I do hereby give, devise and bequeath to the persons named in Paragraph "SECOND", "THIRD", "FOURTH" and "FIFTH" in this my Last will and Testament, according to the terms and provisions of said respective Paragraphs, being mindful of the contingencies therein stated, and the uncertainty of this life.

TENTH: I hereby order and direct and I do hereby authorize and empower my Executors to pay all Estate and inheritance Taxes, and all similar charges against my Estate directed to be paid by law, including all Federal, State and

EXHIBIT 2-B

Local taxes on real or personal property devised and bequeathed under and pursuant to this my Last Will and Testament, and that all taxes and charges shall be paid and satisfied in full from the corpus, general fund and assets of my Estate without recourse to the respective legacies of any of the legatees or devisees named in this my Last Will and Testament, and that said taxes and all similar charges against my Estate SHALL NOT BE PRO-RATED AGAINST THE SHARES OF THE RESPECTIVE LEGATEES OR DEVISEES herein named.

W. T. McQuay

ELEVENTH: I do hereby nominate, constitute and appoint my said Wife, Dr. Lorraine A. McQuay, Executrix of this my Last Will and Testament and of my Estate, and in the event she pre-deceases me or does not qualify as such Executrix, then I hereby nominate, constitute and appoint my Attorney, William W. Campbell, as Alternate Executor, they to serve without giving or filing a bond or other security for their faithful and honest performance of their duties as such Executrix and Executor of this my Last Will and Testament, and of my Estate.

Furthermore, I hereby authorize and empower my Executors hereinbefore named to hold any investments which I may hold at the time of my decease, in the same form and manner as I may hold them, and for such time as in the judgment of my said Executrix or Executor, and in their sound discretion, may be necessary for the most advantageous distribution of the assets of my Estate, exercising the same powers of voting, disposition and control that I now have and possess.

EXHIBIT 2-B

Also, I do hereby authorize and empower my said Executrix and Alternate Executor to make distribution of the assets of my estate in MONEY or IN KIND, except as to the specific legacies above devised and bequeathed.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 26th day of December, in the year Nineteen Hundred and Sixty-three.

Fred F. McGauley (L.S.)

WITNESSES:

Thomas J. Kelly
Thomas M. Gouley
William W. (Emphill)

we, whose names are hereto subscribed, DO CERTIFY, that on the 26th day of December, 1963, FRED F. MCGAULEY, the Testator above named, subscribed his name to this instrument in our presence and in the presence of each of us, and at the same time in our presence and hearing, declared the same to be his LAST WILL AND TESTAMENT, consisting of five (5) typewritten pages, and requested us, and each of us, to sign our names thereto as witnesses to the execution thereof, which we hereby do in the presence of the Testator, and of each other, on the day or the date of said Will, and write opposite our names our respective places of residence.

Thomas J. Kelly residing at 1151 Rhine Ave

Schenectady, N.Y.

Thomas M. Gouley residing at 8121 Home Ave

William W. (Emphill) Schenectady, New York
618 Chapel Street
Schenectady 5, New York

(A)

DKT NO. 5705-71
EXH. 3-C

86a

EXHIBIT 3-C.

A G R E E M E N T

In The Matter of the Probate of the
Last Will and Testament

-of-

3-C

FRED F. MC GAULEY'

Deceased.

Dated: June 29, 1966

FILED

JUL 11 1966

WILLIAM F. HAHN! JR!
SURROGATE

FILED

JUL 20 1966

GEORGE E. SEVERSON
Clerk
LAW OFFICES
WILLIAM W. CAMPBELL, ESQ.
610 Canal St., Schenectady, N.Y.

EXHIBIT 3-C

AGREEMENT

this agreement made this 27th day of June, 1966, between Lorraine A. McGauley, as Preliminary Executrix under an instrument dated the 9th day of December, 1963, purporting to be the last will and testament of Fred F. McGauley, deceased, herein called the First Party, and Loren W. Lillis, Esq., attorney of record for Mrs. Patricia McLaughlin, 1356 Baker Avenue, Schenectady, N.Y., Mrs. Colleen Patton, 5A Sherwood Lane, Burnt Hills, N.Y., Mrs. Kathleen Michael, 5208 Roland Drive, Indianapolis, Ind., Mrs. Nancy O'Reilly, 5911 Kimble Ct., Falls Church, Va., herein called the Second Party.

Whereas the persons represented by the Second Party are children and distributees of the said Fred F. McGauley, deceased, and equally contingent legatees in his said purported will, and

Whereas the said Fred F. McGauley, died on the 22nd day of April, 1965, a resident of the City of Schenectady, County of Schenectady and State of New York leaving a paper writing dated the 9th day of December, 1963, purporting to be his Last Will and Testament, and

Whereas the said paper writing was duly filed in the Surrogate's Court of the County of Schenectady and State of New York together with a petition praying for its probate, and a citation to show cause why such instrument should not be admitted to probate having been duly served upon the persons represented by the Second Party, and

EXHIBIT 3-C

-2-

Whereas, on the return day of the said citation,
Patricia McLaughlin, Mrs. Colleen Patton, Mrs. Kathleen
Michael, and Mrs. Nancy O'Reilly duly appeared by Loren W.
Ellis, Esq., their attorney and thereafter filed objections
to the probate of the said will, and

Whereas the outcome of a trial of the issues joined in
this proceeding with respect to the validity of the said paper
writing as the last will and testament of the said Fred F.
McGaulley, deceased, appears uncertain, and

Whereas in the interest of a more harmonious family re-
lationship and on account of the uncertainty of litigation and
to prevent delay in the settlement of the estate and to save
the expense and avoid the loss thereto by prolonged litigation,
the parties and the persons represented believe it would be to
the best interest of the estate to compromise and settle the
said controversy, and

Whereas it is necessary to sell stock in the amount of
the compromise, namely, \$ 115,000.00, and to pay the estate
taxes payable by the said estate in the approximate amount of
\$ 85,000.00, for a grand total of \$ 200,000.00

Now Therefore, this agreement witnesseth that subject to
the approval of the Surrogate of the County of Schenectady
and to become effective only as hereinafter stated, the parties
hereto do hereby agree as follows:

1. The said contestants, Mrs. Patricia McLaughlin, Mrs.
Colleen Patton, Mrs. Kathleen Michael and Mrs. Nancy O'Reilly,
have agreed and do hereby agree to withdraw their objections

EXHIBIT 3-C

-3-

thereof and to accept the total amount of \$ 115,000.00, including \$ 5,000 as and for counsel fees as set by the Surrogate of Schoenectady County in full settlement of their individual claims against the said estate, either as distributees or legatees under said paper writing or any other paper writing purporting to be his will or otherwise and upon each receiving her share to execute a general release discharging said estate from any and all claims and demands of any kind which they each now have or may hereafter have against said estate or for any share therein and to waive any intermediate or final accounting, and the other party to this agreement does hereby agree that, upon the withdrawal of said objections and the consents and waivers to the probate of the said paper writing and the execution and delivery of said general releases, consents and waivers, the said sum of \$ 115,000 be paid to the said contestants, namely, Mrs. Patricia McLaughlin, Mrs. Colleen Patten, Mrs. Kathleen Michael and Mrs. Nancy O'Reilly; and included therein the said sum of \$ 5000 to be paid to Loren W. Lillis, Esq., attorney for the contestants, per direction of the Surrogate, out of the assets of the estate of the said Fred F. McGauley, deceased.

2. The parties hereto agree that stock of the estate of Fred F. McGauley, deceased, in the total amount of \$ 200,000.00 be sold in order to carry out the provisions of this compromise and to pay the federal and New York State taxes payable by the estate.

3. The First Party, and the persons represented by the

EXHIBIT 3-C

-4-

the estate of Fred F. McGauley, deceased, and desiring approval of the compromise agreement herein, hereby consent that a decree or order be granted or made or entered by the Surrogate of the County of Schoenectady, approving and carrying out the provisions of this said agreement, and do hereby waive notice of and citation upon any such application for approval.

4. Upon the execution of this agreement by the parties hereto the First Party shall thereupon petition the Surrogate for his approval of this agreement and of the settlement and payments herein provided and upon said approval the persons represented by the Second Party will withdraw any and all objections to the validity and probate of the said paper writing as the last will and testament of the said Fred F. McGauley, deceased, and any and all claims to his said estate, and withdraw from this and any other contest regarding the said decedent and will assist the First Party to have said paper writing promptly and legally admitted to probate and do hereby waive any intermediate or final accounting.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands and seals the day and year first above written.

In Presence of

Patricia McLaughlin
Nancy O'Reilly
Colleen Patton

Dr. Lorraine A. McGauley
 Dr. Lorraine A. McGauley

Loren W. Lillis
 Loren W. Lillis, Attorney of Record
 for Mrs. Patricia McLaughlin, Mrs.
 Colleen Patton, Mrs. Kathleen Michael
 and Mrs. Nancy O'Reilly.

EXHIBIT 3-C

-5-

STATE OF NEW YORK }
COUNTY OF SCHENECTADY } ss.:

On this, the 29th day of June, 1966, before me, personally appeared DR. LORRAINE A. MC GAULEY, known to me to be the person whose name is subscribed to the within instrument and acknowledged that she executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

A. Rita Chandelier Glavin
Notary Public

My Commission Expires:

A. RITA CHANDELLIER GLAVIN
Notary Public in the State of New York
Residing in Saratoga County
My Commission Expires March 30, 1968

STATE OF NEW YORK }
COUNTY OF SCHENECTADY } ss.:

On this, the 5th day of July, 1966, before me, personally appeared Loren W. Lillis, Esq., known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purpose therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

State of New York
County of Schenectady

Stephen E. De R. B.
Notary Public

My Commission Expires Mar 30, 1971

On this, the 20 day of July, 1966, before me, personally
appeared Loren W. Lillis, Esq., known to me to be the person

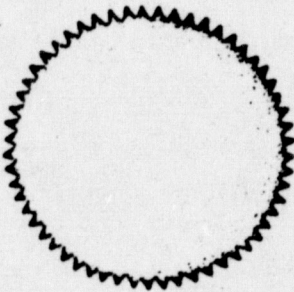
JUN. 22 AM 8-70

State of New York, ss..

Schenectady County Surrogate's Court.

I, GEORGE E. SEVERSON, Chief Clerk of the Surrogate's Court of said County, DO
HEREBY CERTIFY that I have compared the foregoing with the original Agreement in
the estate of FRED F. MCGUALEY, deceased,
on file in this office, and that the same is a true copy therefrom, and the whole of the
said original, and if a copy of letters, that the same are recorded and remain in full force and
unrevoked.

IN WITNESS WHEREOF, I have hereunto set
my hand and affixed the seal of the Surrogate's
Court of the County of Schenectady, this
17th day of April, 1972



GEORGE E. SEVERSON
Chief Clerk of the Surrogate's Court of the
County of Schenectady, N. Y.